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FINANCIAL TIMES

Europe's Business Newspaper TUESDAY AUGUST 24 1993 D8523A

UN seeks safe route to Mostar for aid convoy

UN officials tried yesterday to persuade Bosnian Croat forces to let through convoys carrying food for 55,000 Moslems who are trapped in Mostar, south-western Bosnia, with little food or water. In London the parents of Bosnian children evacuated for treatment in Britain highlighted the plight of those left behind. One mother appealed for the use of force to save her homeland. Page 2

Taiwan's government might consider giving loan guarantees to revive its stalled joint aircraft-building venture with British Aerospace. Vice economics minister Yang Shih-chien did not rule out the possibility if a Taiwanese banking consortium failed to agree on the loans. Page 14

WPP chief voices caution about recovery: UK-based marketing services group WPP raised interim pre-tax profits to £24.1m ($33.7m) from £1.8. But chief executive Martin Sorrell (left) warned that economic recovery remained "delicate and unsettled", especially in the US and the UK. Page 15; Lex, Page 14

Airlines challenge monopolies: KLM Royal Dutch Airlines, Air France, Alitalia, British Airways, Lufthansa, SAS and Sabena have made a joint complaint to the European Commission joined forces to try to break the monopolies held by ground services at Milan and Frankfurt airports and the the Spanish carrier Iberia.

Morgan Stanley shares surged in New York after the US securities house reported record second-quarter profits of $224.2m compared with $119m at the same state last year. Page 15

German group to cut dividend: German trucks and engineering group MAN is cutting its dividend from DM12 to DM8.50 after profits dropped 45 per cent in the year to the end of June. Page 15

Babangida 'will step down': Nigerian military ruler Ibrahim Babangida, pressed by trade unions and pro-democracy groups to hand over power, will step down tomorrow, a senior aide said. "I can assure you that he is leaving on Wednesday", said the unnamed aide. Nigerian military faces protests, Page 4; Oil prices rise on Nigerian unrest, Page 21

Australia rail plan: Anglo-French engineering company GEC Alsthom wants to build an A$2.4bn ($1.62bn) high-speed rail link between Sydney and Canberra. The company has sent its proposal to the federal, New South Wales and Australian Capital Territory governments.

Nuclear move: British Nuclear Fuels is likely to receive official clearance soon to start testing its controversial Thorp reprocessing plant in north-west England with uranium. Page 7

Kurds kidnap Britons: Kurdish rebels kidnapped two British tourists from a bus in south-east Turkey but abandoned them when they came under Turkish fire. The Kurdistan Workers party is still holding seven foreigners.

King's visit 'ridicules Greece': Greek President Constantine Karamanlis said ex-king Constantine's visit was holding Greece up to ridicule and should not be repeated.

German U-boat raised: A Danish-Dutch consortium raised a German U-boat from Danish waters. The submarine, sunk by a British bomber in May 1945, was being pumped out overnight and is expected to be opened today.

Doctors blame Chernobyl: The 1986 Chernobyl nuclear disaster was blamed for the birth of a in Moldova last week of a baby with two heads. A senior surgeon said the number of malformed babies had risen by 30 per cent since Chernobyl although the birth rate had fallen.

Stolen UN vehicles traced: The UN peacekeeping mission in Cambodia said it had found three of its 150 stolen vehicles at the homes of a police officer and two army generals.

Caviar cartel: Iran is suggesting the four former Soviet republics which the Caspian Sea join it in a caviar cartel to keep prices up.

Test win for England: England beat Australia by 161 runs on the last day of the final test match at The Oval in London, giving them their only win of the six-match series. Australia keep the Ashes. Mike Atherton was appointed England captain for the tour of the West Indies this winter.

■ STOCK MARKET INDICES		
FT-SE 100:	3042.0	(-15.6)
Yield	3.77	
FT-SE Eurotrack 100	1281.83	(-5.48)
FT-A All-Share	1510.59	(-0.5%)
Nikkei	20,414.14	(-193.12)
New York: lunchtime		
Dow Jones Ind Ave	3603.19	(-12.29)
S&P Composite	454.85	(-1.31)
■ US LUNCHTIME RATES		
Federal Funds:	3%	
3-mo Treas Bills: Yld	3.054%	
Long Bond	100½	
Yield	6.224%	
■ LONDON MONEY		
3-mo Interbank	5⅞%	(6⅛%)
Liffe long gilt future:	Sep 112⅜	(Sep 112⅜)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$17.095	(16.985)
■ Gold		
New York Comex (Aug)	$372.5	(376.4)
London	$374.0	(373.25)

■ STERLING		
New York lunchtime:		
$	1.5055	
London:		
$	1.5025	(1.511)
DM	2.5375	(same)
FFr	8.8425	(8.8275)
SFr	2.2325	(same)
Y	155.25	(158.5)
£ Index	81.4	(81.5)
■ DOLLAR		
New York lunchtime:		
DM	1.6858	
FFr	5.8755	
SFr	1.48175	
Y	103.265	
London:		
DM	1.6886	(1.68)
FFr	5.885	(5.8425)
SFr	1.4865	(1.478)
Y	103.25	(104.85)
$ Index	65.5	(same)
Tokyo close Y 103.35		

Austria	Sch30	Germany	DM3.20	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.50	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Tunisia	Din1.250
France	FFr8.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Bank of France eases monetary stance with rate cut

By John Ridding in Paris and James Blitz in London

THE Bank of France yesterday pushed interest rates nearer to levels that prevailed before the recent currency crisis by reducing the cost of lending wholesale cash overnight for the fifth time in two weeks.

The cut in the central bank's 24-hour rate, from 8.25 per cent to 7.75 per cent, was accompanied by a large injection of cash in the French money market. Later, the 24-hour rate was suspended, in a move which some analysts saw as a further indication that monetary policy was being eased.

These moves followed several trading days which have seen the French franc appreciate sharply against the D-Mark inside the more relaxed European exchange rate mechanism.

The cut in French rates was accompanied by indications that central banks in the ERM may be relaxing the high interest rate policy which has kept their currencies strong against the D-Mark.

The Danish central bank yesterday cut its 14-day certificate of deposit rate by ½ a percentage point to 10.5 per cent, its first easing of monetary policy since the ERM bands were widened.

Both the peseta and the escudo depreciated as dealers took the view that their central banks could cut interest rates ahead of this week's Bundesbank council meeting, the first since the summer recess.

Officials at the Bank of France said the suspension of the 24-hour rate, which was introduced at the end of last month to control liquidity and support the French franc within the ERM, was a technical move.

They said it reflected increased liquidity in the money market and the fall of short-term money market rates to near pre-crisis levels of 7.25 per cent.

But economists said the Bank of France also wanted to signal that the pressures facing the currency had eased. "They want to show that things are returning to normal and the dust is settling" said Mr Christopher Potts at Banque Indosuez in Paris.

The franc took the move in its stride, closing a little weaker at FFr3.485, against FFr3.478.

Most currency analysts said that the franc remained vulnerable. They said the foreign exchange markets were

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Tough capital standards set

EC rules put smaller UK investment firms at risk

By Norma Cohen in London

HUNDREDS of UK investment firms may be forced to either raise more capital or change their business activities because of a European Community directive set to take effect at the end of 1995.

The EC's capital adequacy directive will require any firm doing what Brussels defines as investment business in Britain to meet the new capital standards.

This week, the Securities and Investments Board, the City's chief regulatory watchdog, and the self-regulatory bodies which oversee the industry directly are writing to member firms to explain the requirements and to seek details about their current capital position.

"These rules are not optional," said an official of the Securities and Futures Authority, which regulates stockbrokers. "Either you are in this industry or you are out. You do not have to be opening offices in Frankfurt or Paris to be affected."

The UK has vigorously urged that the EC adopt capital requirements more like its own over the five years that the directive has been debated in Brussels.

However, the EC has been under pressure, particularly from France and Germany where investment business is largely conducted by banks, to set high minimum capital requirements.

The rules are a prelude to the European "passport" which firms may now hold in order to conduct cross-border activities.

The rules will for the first time force UK firms to hold an initial amount of capital, ranging from £39,000 to £560,000 depending on the nature of the business.

Firms will also have to maintain enough capital to cover their fixed overheads for 13 weeks and capital to cover risks associated with their trading position.

While large securities firms already must meet broadly equivalent rules, smaller financial advisers and fund managers have lower requirements. It is this category of firm which is likely to be most affected by the new rules.

"There will be more firms who have to lock up more capital than they do now," said an official at Imro, the self-regulatory body for fund managers.

The Treasury is being urged to interpret the Brussels directive liberally. Securities regulators are urging that firms be allowed to apply their capital simultaneously against any of the three categories of capital requirement.

But even with a liberal interpretation of the EC directive, officials at the self-regulatory bodies believe that a significant minority of firms may not meet the standards. Those which think they may not will be invited in a letter later this week to apply for "grandfathering".

Grandfathered firms will find their minimum capital requirements rising steadily if they remain profitable and may find it a constraint on their ability to extract as much profit as they like from the firm before the EC threshold is met.

Securities industry faces demands from Brussels, Page 7

Reuter

Police move into a black township near Cape Town after youths rioted in support of striking teachers

South African jobless rate reaches 46% after four-year recession

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S four year recession has left nearly half the economically active population without work in the formal economy, according to the annual economic report of the South African Reserve Bank (central bank), published yesterday.

The Reserve Bank said 46 per cent of the labour force were either unemployed or involved in the "informal sector", which involves very low-paid activities such as street hawking.

It was the first accurate official estimate of national unemployment, which the Reserve Bank said had risen from 39 per cent in 1988. Private sector economists say previous official figures seriously underestimated problems of unemployment and underemployment.

Per capita income figures have also suffered, with annualised income per capita, at R3,200 ($950) in 1985 prices, no better than the level reached in 1971. GNP per capita in the second quarter of this year was 13.5 per cent lower in real terms than when it peaked in 1988.

After having declined consistently since the fourth quarter of 1989, economic output rose sharply in the first half of 1993, leading the Reserve Bank to conclude that economic activity had finally levelled off. This did not, however, indicate the resumption of significant growth, despite the fact that GDP grew by 5.1 per cent in the second quarter and 1.4 per cent in the first quarter.

The improvement was attributable almost entirely to increased agricultural production, with non-agricultural sectors stagnant in the first half of the year. Business cycle indicators were "not yet showing any clear signs of an imminent upturn in economic activity," the bank said.

The bank noted that labour

Continued on Page 14

VW chief presses Bonn over Opel 'spy' dispute

By Christopher Parkes in Frankfurt

MR Ferdinand Piëch, Volkswagen chairman, yesterday stepped up his attempt to draw the Bonn government into the group's clash with Adam Opel, General Motors' German subsidiary.

He is understood to have telephoned Mr Günter Rexrodt, economics minister, for a "continuation" of face-to-face talks held in Berlin last Friday.

Although the contents of last week's meetings were secret – the minister met Mr David Herman, Opel chairman, on Tuesday – Mr Rexrodt said at the weekend he was "optimistic" he could tone down the war of words.

He appears to have accepted the role of mediator despite his initial claims that that he wanted only to gather information.

Mr Rexrodt is anxious that the inter-company conflict does not blow up into a clash between Washington and Bonn.

The minister's "optimism" suggests Mr Piëch and his colleagues are prepared, at a price, to apologise publicly for claims that Opel was acting as agent provocateur in a US-inspired "war" against VW and could have planted evidence with the aim of incriminating its employees.

In return Mr Piëch is expected to demand that Opel officials stop all press communications on their suspicions and the criminal investigations against Mr José

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Brazilians use the Beetle for trip into past, Page 3

Euro Disney vice-chairman to return to US parent company

By Alice Rawsthorn in Paris

MR JDHN FDRSGREN, vice-chairman of Euro Disney, plans to leave the troubled European leisure group to return to an unspecified position with Walt Disney, its US parent company.

Euro Disney, which has this summer been troubled by controversy about its financial performance and future prospects, confirmed that Mr Forsgren would be returning to the US. However, it said that details of the move and of his new role at Walt Disney had not yet been finalised and that in the meantime he would remain as its vice-chairman.

The departure of Mr Forsgren, one of Euro Disney's most senior executives and finance director at the time of the opening of the lavish Euro Disneyland theme park in April last year, comes at a highly sensitive time for the company. Euro Disney, which is burdened by heavy debt and deeply in the red, has been forced to ask Walt Disney for financial support while it tries to restructure its finances.

Mr Forsgren, 46, joined Euro Disney in January 1990 to help orchestrate its launch. He joined the company after four years as treasurer of Walt Disney, which owns 49 per cent of the European company.

In April this year Mr Forsgren was replaced as Euro Disney's finance director by Mr Mike Montgomery, another former Disney treasurer. Mr Montgomery has taken charge of financial affairs reporting directly to Mr Philippe Bourguignon, chairman, and has played a leading part in the preparations for the financial restructuring.

Mr Forsgren has been vice-chairman since April. Euro Disney said at the time of his appointment that he had been promoted to take charge of its relations with the investment and political communities.

Euro Disney said yesterday that Mr Forsgren's return to the US was part of the routine process of repatriating US executives. Mr Forsgren, now at his holiday home in Connecticut, has spent most of the summer in the US. Euro Disney said he had taken "several weeks holiday".

Euro Disoey's share price, which fell sharply last week when investors panicked after press speculation about the group's problems, tumbled from FFr56.80 to FFr54.50 when the market opened yesterday morning after further speculation in the weekend press. The shares recovered during the day to close at FFr56.00.

Analysts attributed the share price fall to nervousness among investors. "The response is purely psychological," said Ms Rebecca Winnington-Ingram, leisure analyst at Morgan Stanley in London. "Euro Disney is in a dire situation and investors are very nervous."

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NEWS: EUROPE

Kohl and Scharping feed rumour mill

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl and Mr Rudolf Scharping, recently-elected leader of Germany's opposition Social Democrats (SPD), met behind closed doors yesterday for wide-ranging talks, fuelling press speculation that they will be forced to form e grand coalition after next year's elections.

Both political leaders have flatly rejected the idea, each insisting that he is campaigning for outright victory, but the very fact that they are prepared to meet and talk privately has stoked the over-heated rumour mill in Bonn.

The meeting underlines the fact that both men belong firmly in Germany's tradition of consensual politics, where cross-party compromises are the regular answer to resolving their conflicts. It also confirms Mr Scharping's style as the new opposition leader, in which he is determined to demonstrate that his party is capable of becoming an alternative government.

The talks, the first since Mr Scharping was elected SPD party leader in June, lasted 90 minutes and when he emerged Mr Scharping seid they covered "everything currently on the political agenda".

They were set to discuss the current state of the German economy, and how to stem the rapid rise in unemployment and revive ailing east German manufacturing industry. In spite of the fact that both signed the cross-party solidarity pact last March on financing unification, both are now keen to stress their different economic policies.

There is room for manoeuvre on the issue of German participation in UN peacekeeping exercises. Mr Scharping is clearly attempting to push his party, with a strong anti-military, pacifist wing, into permitting wider international participation for the Bundeswehr.

The SPD and Mr Kohl's Christian Democrats are condemned to reach compromises on any issues which require changes in Germany's strict constitution – such as privatisation of state companies, including Deutsche Telekom and the railways. They also have to negotiate on issues which require the approval of the Bundesrat, the upper house of the German parliament, where the SPD has an effective majority.

Mr Kohl therefore needs Mr Scharping's support if he is to gain approval for his entire package of budget cuts, although the majority can be passed by the Bundestag, the lower house, alone. He also needs support for plans to launch a new social security system to pay for residential care for the old and handicapped: the government's current project to finance the scheme by cancelling paid sick leave for workers has been furiously opposed by the unions.

They also needed to discuss three key appointments, including the election of a new federal president to succeed Mr Richard von Weizsäcker next year.

Mr Klaus Kinkel, foreign minister and leader of the Free Democrats, who would be excluded from any grand coalition, said he would meet Mr Scharping on Friday.

France gets its cake, and eats it

Alice Rawsthorn and John Thornhill *on limiting and attracting foreign investment*

French Privatisation

MRS Pamela Harriman, the new US ambassador to France, is an unashamed Francophile, but last month she aired e rare grievance against the French government by complaining about the restrictions on foreign investment in its privatisation programme.

The object of Mrs Harriman's criticism was the amendment to the government's privatisation bill to limit investors outside the European Community to a maximum of 20 per cent of the shares in privatised companies.

The US lobby argued that the 20 per cent rule was a protectionist measure reminiscent of the traditional constraints on foreign investors in the French financial markets.

The amendment survived and is now enshrined in the legislation which will shape the new privatisation programme. The 20 per cent rule is really an irrelevance, given that it only applies at the time of the original issue and non-EC investors will then be free to buy shares on the open market.

However, the incident serves as an apt illustration of France's ambivalent attitude to privatisation. The French are undoubtedly keen to attract investment from foreigners and to enhance Paris's status as an international financial centre.

Yet they are still anxious to protect privatised companies from the rigours of life in the private sector, particularly from the threat of "foreign predators", whether they are from inside or outside the Community.

One of the main achievements of the last centre-right government's 1986-1987 privatisation drive was its success at attracting foreign investment. Until then it had been difficult for foreign investors to buy shares in France given that so many large companies were privately-owned or state-controlled.

The privatisations gave investors away into the Paris market at a time when the UK pension funds were pursuing an aggressive policy of international investment. The proportion of French shares in foreign hands has since increased steadily, from 21 per cent to 28 per cent in the past two years alone, according to the Bank of France.

At first glance it looks as though it might be more difficult for the French to attract foreign investment in the new round of privatisations.

First, the financial prospects for French companies are more precarious than they were in the buoyant mid-1980s. At the same time, the privatisation market is more competitive, with an estimated $100bn (£67bn) of state shares currently scheduled to come on to the market in Europe.

Second, whereas foreign investors needed to build up French portfolios in the mid-1980s, they now have substantial French holdings. Warburg Securities estimates that the Paris Bourse represents 23 per cent of the value of all continental Europe equities, but 26 per cent of the average continental portfolio.

However, most brokers and bankers are confident that foreign investors will be willing to increase their commitment to France in this autumn's sales.

"French stocks are not cheap at the moment and many European investors, particularly in the UK, are already overweight in France, but there is still strong interest in many of the companies scheduled for sale," said Mr David Harrington, equity strategist at James Capel in Paris.

Interest from the US is also likely to be high given that many institutions are in the throes of "internationalising" their portfolios, just as their UK counterparts did during the last privatisation drive.

There are even hopes of a strong response from Japan.

"Japanese investors are interested in France, interested in privatisation and, at this time in the cycle, it is a good time to buy," said Mr Alain Cellier, chief executive of Nomura in France. "There is only one caveat – the strength of the yen."

The recent fall of the franc and the rise of the Paris stock market – the CAC 40 Index ended last week at a record 2,149.83 – should make French equities seem even more appealing. It might also lessen the risk of foreign investors switching cash from existing French holdings into privatisation stocks by persuading them to bring new money into France.

However, this influx of foreign funds does not seem likely to trigger the tidal wave of takeover bids that the traditionalists in French finance fear.

The 20 per cent rule is probably the least effective of the government's defensive ploys. The others include plans to assemble networks of sympathetic *noyaux durs*, "hard core" investors, to support the newly-privatised companies and to introduce "golden shares" to some stocks, thereby enabling the state to block takeovers indefinitely.

The experience of the last batch of French privatisations suggests that such measures may not be necessary. The only one of the mid-1980s privatisations to have come under attack was the bank Société Générale, in an unsuccessful raid mounted in 1988 by Mr Georges Pébereau, the French financier.

Consumer confidence at low ebb in the EC

CONSUMER confidence dropped to record lows in the European Community in June, after slight signs of recovery the previous month, the European Commission said yesterday, Reuter reports from Brussels.

The drop took the EC's measure of consumer confidence back to the level recorded in March and April.

"The loss of confidence is particularly discernible in Spain, Italy and Portugal," the Commission said, adding that Spain and Portugal recording new lows.

"Taking the average for the Community, consumers view their current and future financial situations more pessimistically in June than in previous months.

"They are even more sceptical about the general economic situation: well over half were of the opinion that the situation had deteriorated further in June compared with the same month last year."

The Commission said there was also a distinct absence of cheer from consumers looking at the next 12 months.

As a result of recession, industry, too, saw the future as gloomier, the Commission said.

The leading economic indicator for the European Community also dipped to a record low in June after a slight rise in May, losing 0.5 of an index point to 95.6, tbe Commission said. The previous record low of 95.7 was set in March.

Russian President Boris Yeltsin and Georgian leader Eduard Shevardnadze meeting at the Kremlin to ease regional tension

Yeltsin, Shevardnadze agree pact

THE Russian president, Mr Boris Yeltsin, and tbe Georgian leader, Mr Eduard Shevardnadze, agreed yesterday to sign a comprehensive treaty restoring peace in war-torn Abkhazia, agencies reported, Reuter reports from Moscow.

Mr Shevardnadze told the Itar-Tass agency tbat tbe friendship and co-operation agreement between tbe two former Soviet republics would be signed in September in tbe Georgian capital, Tbilisi, after e final round of talks.

"Both of us have expressed satisfaction with the first steps towards e ceasefire and the terms for a final settlement of the conflict," tbe agency quoted Mr Shevardnadze as saying. The two leaders also discussed ways of helping about 140,000 refugees, wbo fled the breakaway Abkhaz region over the last 12 months, to return home safely, it said.

Mr Shevardnadze said repatriation of refugees was "perhaps the most acute problem" after last month's ceasefire in the conflict. He added that the future Georgian state would be determined by à new constitution. Russia, which has strategic interests in the Transcaucasus, belped to mediate tbe peace deal between Georgia and Abkhazia.

UN tries to open way to Mostar for aid convoys

By Laura Silber in Belgrade

UNITED Nations officials yesterday were trying to persuade besieging Bosnian Croat forces to let through convoys carrying food to tens of thousands of Moslems trapped in Mostar, in southwestern Bosnia-Hercegovina.

The Croatian Defence Council (HVO), the Bosnian Croat army, has prevented relief supplies reaching some 55,000 people in the east of the city who have little food and water. Eleven lorries were waiting yesterday for HVO clearance to deliver 120 tonnes of food.

Conditions in the area were described as "alarming" by Miss Lyndall Sachs of the UN High Commissioner for Refugees, who added that people could die of starvation within five days.

"We very much hope that Wednesday will be the day that the HVO finally decides they are no longer going to be bloody-minded and they will allow us to take convoys through," Miss Sachs told reporters in Sarajevo.

In order to gain access to the heavily damaged eastern part of Mostar, relief officials said they would have to give an equal amount of aid to the mainly Croat inhabitants of the western side of the city.

Bosnia's President Alija Izetbegovic yesterday appealed in a letter to the UN Security Council for urgent help in order to avert a "true catastrophe" in Mostar.

His parliament was due to meet on Friday to consider a compromise plan to divide Bosnia put forward by the international mediators Lord Owen and Mr Thorvald Stoltenberg.

In an apparent sign that the parliament might reject the proposal, Radio Sarajevo yesterday broadcast statements from officials of several Bosnian towns opposing the plan. Mr Izetbegovic has already said he could not "recommend" parliament to accept it.

For their part, Bosnia's Croat and Serb leaders have welcomed the proposal, calling it a compromise which could end the 17-month war. Under the plan Serbs would get about 54 per cent of Bosnia, Croats about 17.5 per cent, while 28 per cent would be reserved for the Moslems. The latter were the biggest ethnic group before the war, comprising 44 per cent of the 4.35m population.

In Zagreb, site of the UN headquarters in the former Yugoslavia, Mr Kofi Annan, UN undersecretary for peace-keeping operations, yesterday met officials of countries which have supplied peacekeeping troops. A UN spokesman there refused to say whether Mr Annan was seeking commitments to increase contributions if a settlement were agreed in Bosnia.

Mr Stoltenberg has said the plan would require about 40,000 troops, some 25,000 more than are now escorting aid convoys. He was last night due to brief the Security Council on the latest developments in Bosnia.

The Conference on Security and Co-operation in Europe yesterday criticised Serbs for increasing ethnic tensions within former Yugoslavia, citing "alarming" reports of repression including cases of harassment of local CSCE staff.

Brussels to probe service monopolies at airports

By David Gardner in Brussels and Ronald van de Krol in Amsterdam

THE European Commission is investigating complaints from Europe's leading airlines against monopolies providing ground-handling services at airports in Milan, Frankfurt and across Spain.

The complaints, filed by Air France, Alitalia, British Airways, KLM, Lufthansa, SAS and Sabena, could induce Brussels to bring forward deregulation proposals for such services as airport baggage handling and refuelling, analogous to the legislation liberalising air transport introduced in the past six years.

The airlines complain that at a time of unprecedented losses and growing competition as a result of the EC's "open skies" policies, they are subject to high handling costs on the ground, et airports which operete monopolies. "Liberalisation in the air should be followed by liberalisation on the ground," e statement from KLM said yesterday.

The European Commission would only confirm yesterday that it was investigating three complaints it had received in the last month. Industry sources said there had been more than e dozen complaints.

KLM said that the Italian, German and Spanish airports cited in the EC action had attracted the most complaints from European airlines. But there were also other airports in Europe where competition in ground-handling was non-existent or extremely limited, a KLM spokesman said.

He declined to name other airports but said he that if all European airports charged the same rates as Schiphol in Amsterdam, then KLM would save roughly Fl 25m (£8.7m) a year in ground-handling charges. These charges at airports where a monopoly is in force can be 50 per cent higher than at airports which allow e choice of services, the Dutch carrier said.

In the cases of Frankfurt, Milan and the Spanish airports, KLM is allowed to have KLM personnel behind the check-in counters, but it is restricted in how it deploys its own staff.

Ground-handling includes not only passenger check-in but also cargo handling and aircraft refuelling.

A spokesman for the European Commission said Brussels expected e response to the complaints from the handling companies in the next three to four weeks. Officials refused to comment on the likelihood of any action to dilute the monopolies.

But EC diplomats remarked thet at a time when Brussels was enforcing competition on hard-pressed airlines, and cracking down on state aid to flag carriers, it would be hard for the Commission to resist their demands for more competition in ground services.

Kurds forced to free UK tourists

KURDISH rebels kidnapped two British tourists from a bus in south-east Turkey but later abandoned them wben they tbemselves came under fire from government troops yesterday, Renter reports from Ankara.

Tbe Kurdisten Workers Party (PKK) was still bolding seven otber tourists – three Swiss, one Italian, two Germans and e New Zealander – seized this month to draw attention to their separatist campaign in Turkey's south-east.

A diplomat said the Britons, a man and woman, were seized at e rebel roadblock near the town of Kozluk in Betman province on Sunday evening.

Tbeir kidneppers forced them to walk into the mountains, where they were joined by two Turkisb hostages.

They spent the night in the rebels' hands but were turned loose in the morning wben security forces fired on tbe area, making their way to the town of Batman.

Security forces killed eight guerrillas in clashes with the kidnappers, the emergency rule governor's office said.

The PKK has abdncted a total of 27 foreign tourists since 1991 but has released all unharmed, except the seven.

On August 10 the rebels freed four Frenchmen, a Briton and an Australian taken in two separate kidnappings in July.

War of words over Baltic pull-out

By Leyla Boulton in Moscow and Matthew Kaminski in Vilnius

THE WAR of words between Russia and Litbuania grew more beated yesterdey, after Moscow abruptly broke off talks at tbe weeksnd and suspended its troop pull-out from the Baltic state.

President Boris Yeltsin's spokesman warned Litbuania against seeking to apply international pressure on Russia to stick to an earlier agreement to withdraw its troops by the end of the month.

"The striving to inflict pressure through a third country can only cause a negative reaction," Mr Vyacheslav Kostikov was quoted as saying by Interfax news agency.

Lithuania appealed for international belp after the Russian foreign ministry issued e surprisingly harsh statement telling Lithuania it no longer considered itself bound to complete a troop pull-out by August 31. Russia said it would withdraw over e period which was "convenient to it" and wblcb Litbuania would be informed of in due course.

The statement accused Lithuania of blocking an agreement and hinted it was annoyed by Litbuanian demands for compensation for damage done by five decades of Soviet occupation.

"Democrstic Russia is not responsible for the totalitarian repression of Stalinism. It suffered itself," Mr Kostikov said.

While only 2,500 Russian soldiers are left in Litbuania, mainly support staff based in the western port city of Klaipeda, Lithuanian officials said tbey feared Russia might bring back more troops to strengthen its position.

"We are prepared for the worst," seid Mr Justas Paleckis, an adviser to President Algirdas Brazauskas.

The left-leaning Lithuanian government, surprised by the Russian move, had refrained from joining in the sharp criticism made by the nationalistic opposition, led by Mr Vytautas Landsbergis.

Mr Brazaoskas, wbo won Fsbruary's presidential elections promising to maintain good relations witb Russia, eppealed for calm in a televised speecb on Sunday night.

He also expressed a desire to compromise, without condemning the Russian step.

Azeris lose key town

AZERI troops yesterday pulled out of a key town near the Iranian border yesterday in another victory for Armenian forces from the dlsputed encleve of Nagorno-Karabakh, Reuter reports from Moscow.

Spokesmen for both the Azerbaijan Defence Ministry and the Nagorno-Karabakh administration said the defenders withdrew overnight from Fuzuli, a town of 40,000 people under siege for deys by Armenlans occupying tbe hills on three sides. The latest victory brought the Armenians closer to cutting off the entire south-western corner of Azerbaijan, home to some 200,000 people, and risked angering neighbouring Iran.

The Iraniao border is just 25km from Fuzuli and the fighting has sent tens of thousands of refugees fleeing towards it. Iran denounced the Armenian offensive last week, saying it believed in the territorial integrity of Azerbaijan.

Fuzuli is the third big town just outside Nagorno-Karabakh seized by the Armenians in recent weeks, after Agdam to the east and Cehrayil further to the south-west. The Azeris say they recaptured Cebrayil et the weekend.

Tbe Armenians, whose military advences have fuelled political turmoil in Azerbaijan, say they have to drive back the Azeri troops to protect Karabakh from sbelling. The Azeri Defence Ministry said tbe Armenians had entered Fuzuli after the wlthdrawal. But a spokesman for the Nagorno-Karabakh administration said lts forces were holding back.

Tbe Karabakh spokesman said Azeri military aircraft had bombed villages in the Martuni and Gedrut districts of Karabakh overnight, killing five civilians and wounding 17.

An Azeri Defence Ministry spokesman denied the report. "This is false information," be said. "The Armenians report Azeri air-raids while taking Azeri towns." Conflicting reports of the fighting have been a notable characteristic of tbe five-year-old conflict, which bas taken several thousand lives.

Armenia officially denies taking part in the war, altbougb it supplies diplomatic support for the enclave's claim to independence and the Karabakh Armenians obtain arms andvolunteer soldiers from Armenia.

NKr600m package hangs on election outcome

Oslo to boost industry

By Karen Fossli in Oslo

NORWAY'S minority Labour government is planning to introduce a package of measures, valued at an estimated NKr600m (£55m), in an attempt to create jobs, boost the competitiveness of the country's industry and increase non-oil exports.

The extra funds will be included in tbe 1994 budget, which is due to be presented on October 13 if the present government retains power after tbe general election on September 13. Mr Finn Kristensen, the industry and energy minister, made the announcement during a campaign speech in Molds on the west coast of Norway, an area which has been particularly hard hit in recent years by unemployment and company bankruptcies.

Norway's unemployment rate is currently running at e record 8 per cent, including those on government job training schemes. Along with proposed membership of the European Community, unemployment is the single biggest issue in the election campaign.

Key measures in the package include:

- Abolition of corporate electricity taxes, saving industry an estimated NKr265m annually. Last December the government abolished the tax for energy-intensive industries and the pulp and paper sector, whose competitiveness had been eroded after Sweden and Finland had in effect devalued their currencies.
- NKr176m for measures to help industry increase exports and enter rapidly expanding Asian markets.
- NKr100m to finance development projects in third world countries in which Norwegian companies will participate. Of this total, about NKr40m will be in export credits to sell domestic goods and services.

Other funds will be allocated to research and development contracts in the private and public sectors and education. A project called "Invest in Norway" will promote the benefits of establishing operations in Norway.

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Public given access to secret files in attempt to quell suspicions

Kennedy assassination archive opens

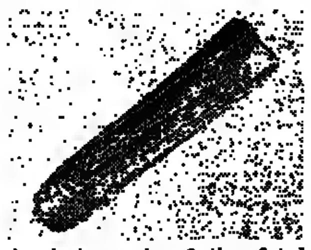
By George Graham in Washington

IT IS the ultimate treasure trove for historians, journalists, conspiracy theorists and Kennedy-worshippers: 800,000 pages of documents relating to the 1963 assassination of President John F Kennedy, released to the public yesterday.

The huge archive was opened for inspection in Washington nearly 30 years after Mr Kennedy's death, following a bill passed in Congress last year that ordered the disclosure of almost all government records on the case.

These include most of the few files which have not yet been published from the Warren Commission, which investigated the assassination under the chairmanship of former Chief Justice Earl Warren, as well as documents from congressional committees and 90,000 pages from the Central Intelligence Agency.

Early finds in the CIA records include a secret internal memorandum speculating that the Soviet Union had most to gain from the assassination, although offering no evidence of Soviet involvement.



A photograph of the fatal bullet was released yesterday

The Warren Commission's central conclusion, that Mr Kennedy was killed by Lee Harvey Oswald acting alone, has been backed up by most serious inquiries since then, with the exception of a 1979 House of Representatives select committee chaired by Mr Louis Stokes, an Ohio Democrat, which found that a second gunman probably fired at Mr Kennedy and missed.

Most recently, pathologists and doctors who examined Mr Kennedy's body in Dallas in 1963 reaffirmed in the Journal of the American Medical Association their original finding that the president was struck by only two bullets, one of which caused the head wounds that killed him. Both were fired from above and behind, they said.

Nevertheless, US public opinion has never accepted this verdict, preferring a series of theories involving a second assassin, as well as Cuban, Russian, Mafia or CIA backing for Oswald. Oswald himself was shot before standing trial.

Even in the 1980s opinion polls showed two thirds of those questioned believed there was a conspiracy to kill Mr Kennedy, compared with only 13 per cent who believed Oswald acted alone.

Mr Oliver Stone's film JFK last year brought a new intensity to the already thriving conspiracy industry.

'Barefoot doctors' wage war on Brazil's other child killers

Christina Lamb joins a health army on foot, donkey, canoe or bicycle in poor north east

THE brutal killing of eight street children in Rio recently thrust Brazil into the headlines, but the lives of many more children are being claimed by a lower-profile killer. Victims of a woeful lack of basic sanitation and inadequate food, 30,000 infants die each year in the country's impoverished north east for want of minimum health care.

While for the most part Brazilian authorities have failed dismally to provide basic services, one of the country's poorest states is showing that with the political will it is possible to improve the situation.

In just three years the north eastern state of Ceara has slashed infant mortality by a third through a cheap and simple project of door-to-door basic health assistance.

Its efforts were recognised in May with Unicef's Maurice Pate prize – the first time the award has gone to a state rather than an institution. Mr Agop Kayayan, Unicef representative in Brazil, describes the Ceara project as "a model not just for Brazil but for the world".

Every day throughout Ceara an army of health agents sets out by foot, donkey, canoe or bicycle, wearing white shirts marked with blue crosses and carrying rucksacks containing scissors, soap and portable scales. Most are young women, many are semi-literate, but they criss-crossthousands of miles of scrubland like latter-day missionaries bringing health care to people who have never seen a doctor in their lives.

In the small town of Manguarape, 24-year-old Mariluce Oliveira da Silva is doing her rounds. Entering a wattle and daub shack where a family of seven live amid squalor, she reminds the mother to wash the children's hands and keep their hair and nails clean.

Using a sling scale she weighs the seven-month baby and marks his progress on a chart. Noticing that it is dangerously near the red warning line for severe malnutrition, she stresses the need for breast-feeding and explains how to mix re-hydration salts to cure diarrhoea – the biggest killer of young children.

The scheme was created in 1988 by Mr Tasso Jereissati, a businessman elected state governor. Horrified by the infant mortality rate, which was among the highest in the world at about 100 per 1,000, he ordered a survey which found 48 per cent of the deaths of young children were caused by de-hydration from diarrhoea. Although the real cause was lack of sanitation, which requires heavy investment, its effects can be easily cured through oral re-hydration therapy – a packet of salts costing 10 cents.

Helped by Unicef and under the direction of Mr Carlil Lavor, a hygienist familiar with the barefoot doctors scheme in China, a programme was set up to train 3,000 health agents in hygiene, prenatal care, re-hydration therapy, vaccination and breast-feeding. Each agent attends about 150 families for a monthly salary of $60 (£40), reporting every month to a trained nurse in a municipal centre.

In the first three years infant mortality was reduced by 32 per cent from 95 per 1,000 live births to 65 and Ceara has gone from last place among Brazilian states in terms of percentage of children vaccinated to first. Moreover, the scheme provides work in a state where 40 per cent of the working population are unemployed or under-employed.

The most remarkable thing is that this was carried out in Brazil's third poorest state and one which was completely bankrupt when Mr Jereissati took office as well as suffering the harshest drought this century. More than half the 6.6m population have no sewers or running water and two thirds live below the poverty line.

But Mr Jereissati points out that the real problem in Brazil is not money. "Our achievements were far less to do with resources and far more to do with changing the posture of the administration and involving the community. When I took office we found vaccines rotting in stores."

Mr Kayayan says that the Ceara government is probably saving money: "There is no comparison between the 30 cents needed to cure an attack of diarrhoea or $5-$10 for a complete set of vaccines and the cost of a child occupying a hospital bed."

Although the health agents are paid by the state government, they are chosen by the communities, a revolutionary idea in a still feudal state. Such a break with convention made the scheme difficult to implement, Mr Jereissati says.

"We met lots of resistance from politicians who resented the loss of patronage and thus control over the electorate." One mayor even greeted the co-ordinators with a revolver.

To give the idea credibility, they involved the church, university and paediatric society on the basis that if the priest and the doctor say it is good, it must be.

Even so, some of the local population were unhappy at intruders coming into their houses and health workers felt uncomfortable lecturing about hygiene when families obviously had no food in the house.

But Nurse Madalena Pinhedo, who co-ordinates a team of 80 agents in Manguarape, says: "It's possible even when people are on very low income to do a lot because they have very little knowledge about such basic things as brushing teeth, keeping hair clean, not leaving faeces on the ground and which foods are most nutritious."

Success has bred acceptance and the new governor, Mr Ciro Gomes, a political ally of Mr Jereissati, has expanded the scheme to 7,300 agents attending 4m people.

Describing them as "Ceara's guardian angels", he says their value became clear during the recent cholera epidemic as they were able to catch cases early and stop the disease spreading.

The greatest accolade, perhaps, is that governors from three other north eastern states have asked Unicef to help them set up the same scheme.

Christina Lamb

Guardian angel: a health agent in the town of Manguarape, where success has bred acceptance

Argentina accuses UK on US radar sale

ARGENTINA yesterday accused Britain of trying to block the sale of advanced US tactical radar for its air force, but predicted that the effort by its former foe would fail, Reuter reports from Buenos Aires.

"The pressure from Britain is there, but we think it is being overcome," Mr Fernando Petrella, deputy foreign minister, told a radio interviewer. "We hope it will not succeed."

He was commenting on a report in the daily Clarin which said London was pressing Washington to ban the sale of advanced radar to equip three dozen ageing Skyhawk fighter aircraft.

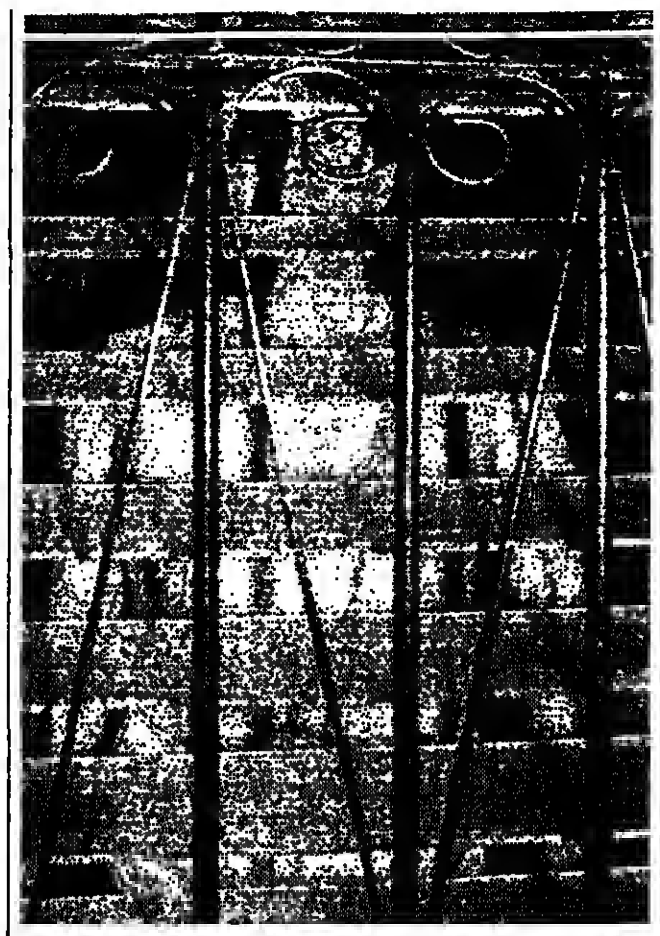
Mr Oscar Camilion, the defence minister, made similar charges in a separate radio interview, blaming London for what he described as US reluctance to allow Argentina to purchase the radar together with the aircraft.

"The objections are coming from the US State Department... this is apparently due to British pressure," he said.

The British embassy in Buenos Aires declined to comment.

Argentina is buying the Skyhawks from the US to replenish its forces, decimated during the 1982 conflict with Britain over the Falkland Islands.

The two countries re-established full diplomatic links in 1990. Mr Douglas Hurd, UK foreign secretary, visited Buenos Aires in January and his counterpart Mr Guido di Tella is due in London later this year.



Reuter

National Opposition Union (UNO) leader Alfredo Cesar is used as a human shield at UNO headquarters by pro-Sandinista gunmen

Twenty hostages freed by Contras

HOPES rose yesterday of an end to Nicaragua's hostage crisis after rival groups of gunmen freed some of their prisoners, officials said, Reuter reports from El Zungana, northern Nicaragua.

In a stand-off which reflects the bitter divisions left by the conntry's hrutal eight-year civil war, armed gangs of the left and right are holding more than 40 officials, politicians and journalists at two sites in different parts of the nation.

A group of former US-backed Contra rebels in the remote northern village of El Zungano freed 20 of their 38 prisoners late on Sunday after talks with envoys including Organisation of American States representative Mr Sergio Caramagna.

Mr Caramagna said he hoped the rebels, led by former Contra José Angel Talavera, alias El Chacal (The Jackal), would free the rest of their hostages shortly.

Last Thursday Mr Talavera seized 38 government officials, soldiers and leftist Sandinista politicians who had travelled to El Zungano to try to persuade him to lay down his arms.

He originally demanded the firing of armed forces chief General Humberto Ortega and presidential chief-of-staff Mr Antonio Lacayo, whom he accuses of plotting to allow the former governing Sandinistas to continue ruling Nicaragua despite their 1990 election defeat by President Violeta Chamorro.

In Managua, a group of around eight pro-Sandinista gunmen retaliated on Friday against Mr Talavera's hostage-taking by seizing the headquarters of the conservative National Opposition Union (UNO) party, taking prisoner Nicaragua's vice-president Virgilio Godoy and several dozen UNO leaders.

The group freed 14 prisoners on Saturday and two more on Sunday. However they also took about eight journalists hostage on Sunday.

Fishermen agree end to Valdez blockade

By George Graham

ALASKA'S Valdez oil terminal opened again yesterday after fishermen agreed to end a blockade provoked by their complaints that the effects of the 1989 Exxon Valdez oil spill had devastated their salmon catch.

Mr Bruce Babbitt, US interior secretary, intervened in the dispute on Sunday, harshly criticising Exxon, the oil giant, for refusing to meet the fishermen.

He also persuaded the protesters to move their fishing vessels from the Valdez narrows, where they had prevented at least seven oil tankers from docking to take on Alaskan crude oil.

The Alyeska pipeline which ends at Valdez handles about a quarter of US crude oil production.

Mr Babbitt also promised action at a meeting in Anchorage yesterday to clean up the operation of the $900m (£604m) trust fund set up with Exxon money after the Exxon Valdez disaster.

The fund, administered by federal and Alaskan officials, has been harshly criticised in a new report from Congress's General Accounting Office, which found that most of the $200m it had spent so far had gone to reimburse state and federal agencies, and Exxon itself, for past clean-up work, and for administrative and legal expenses.

The GAO said the trust fund had approved projects which "either do not appear to be directly linked to the oil spill or appear to duplicate existing responsibilities of federal and state agencies".

Congressman George Miller, who commissioned the report, added that "the bureaucrats gave top priority to feathering their own nests with reimbursements and gold-plated studies of questionable merit."

Mr Babbitt promised he would urge the fund's trustees at yesterday's meeting to devote more money to buying land to protect the rivers where salmon spawn.

Exxon said no scientific link had been established between this year's low pink salmon catch and the 11m gallons of oil its tanker spilled into Alaska waters when it ran aground in 1989.

Brazilians use the Beetle for trip into past

By Angus Foster in São Paulo

THE FILM Back to the Future relied on an out-dated De Lorean sports car for its trips through time, but Brazil yesterday started its own journey into the past with the relaunch of the Volkswagen Beetle, out of production since 1986.

The relaunch followed agreement in February between President Itamar Franco and Autolatina, the joint venture between Volkswagen and Ford which is Brazil's biggest vehicle maker.

The president wanted lower-priced, "popular" cars, while Autolatina saw the chance for a publicity coup and a way to extract tax concessions from the government.

The car was launched at a ceremony yesterday in Autolatina's largest Brazilian factory in São Paulo. It was attended by the president, several ministers and Mr José Ignacio López de Arriortúa, Volkswagen's director of production.

The Beetle's popularity in Brazil is partly sentimental. It was the first car to become affordable to the middle classes in the 1960s. It can also handle the country's battered roads and is easy to repair.

The "Fusca", as the Beetle is known in Brazil, has a newly-installed catalytic converter and electronic ignition. Otherwise it is almost identical to the old model which ceased production seven years ago.

The relaunch has fired mixed emotions. Some businessmen have dismissed it as an unwelcome irrelevance when the Brazilian car industry is trying to upgrade.

The industry, which includes Fiat and General Motors, is expected this year to regain from Mexico its position at the top of the Latin American league.

Autolatina's unions are sceptical of the relaunch, even though it will create about 8,000 jobs. They claim Autolatina's total investment of $30m (£20m) is small and the car's estimated sale price of $7,200 puts it out of reach of most Brazilians.

One union leader even grumbled that, given the money, he would rather buy a Gol, another of Volkswagen's Brazilian models.

Saudis widen political horizons

By Mark Nicholson in Cairo

DIPLOMATS yesterday welcomed the naming of the 60 people who will sit on Saudi Arabis's new consultative council as the most important political change in the kingdom since it became a state more than 60 years ago.

King Fahd's weekend announcement, which fulfilled a promise made more than 15 years ago to open out his kingdom's secretive, family-run government, was welcomed as "remarkable" in the context of the Gulf's most powerful and conservative state.

"It's an important step," said Mr David Gore-Booth, Britain's ambassador in Riyadh.

The setting up of the Shoura council, as it will be known, will bring Saudi Arabia in line with other Gulf states, including Kuwait, Oman and Bahrain. These states have taken steps of varying degrees towards broader political participation since the Gulf war, partly because of the intense western scrutiny of their political systems which came with the war.

The new Saudi council will be free to advise and criticise the government but has no legislative powers.

Its creation falls well short of anything like a shift towards western-style democracy. Its members are appointed to their four-year terms by the king, who retains the final say in all policy decisions.

However, its constitution will allow the first institutionalised political participation for Saudis outside the royal family.

"It represents a realisation that you can no longer run a country which has had modernity thrust upon it with ancient methods," said one Gulf analyst. "It's an implicit dilution of absolute power."

In a further move to open up the kingdom's closely held government, King Fahd also announced that all ministerial terms would be limited to four years, subject to possible extensions. Saudi ministers have hitherto enjoyed almost indefinite tenure.

The list of council members is a broad and carefully balanced selection of academics, military men, journalists, doctors, businessmen, deputy ministers, lawyers, religious scholars and poets.

Few are well known outside the kingdom and many obscure inside it, reflecting the kingdom's lack of a public political culture.

More than half the new members hold doctorates, many from US or other western universities. Many observers feel that if not quite pro-western, the council as a whole is well acquainted with the west. "We can say that it's not entirely weighted in the direction of the conservatives," said one diplomat.

No date has been set for the first meeting of the new council, which will convene at least once every two weeks. It will do so in a building in Riyadh's diplomatic quarter which was completed, along with electronic voting equipment, in the late 1970s and has awaited a role ever since.

Algeria's PM is casualty of his 'war economy'

Francis Ghilès on the problems inherited by a new prime minister after the failure of the last one

DURING the 13 months that he was prime minister of Algeria, Mr Belaid Abdessalam displayed a genius for putting people's backs up. His appointment, in the wake of the slaying of president Mohamed Boudiaf, owed much to his reputation for decisiveness, a reputation which he gained when he was Algeria's economic overlord from 1965 to 1978.

Mr Abdessalam was sacked at the weekend and replaced by the minister of foreign affairs, Mr Redha Malek, one of the five members of the High State Council (HCE) which has ruled Algeria since the forced resignation of Mr Chadli Bendjedid in January 1992.

Mr Abdessalam's dismissal is the direct consequence of his unwillingness to usher in essential economic reforms and broker an agreement with the International Monetary Fund. Both are essential if the spiral of economic decline, one of the chief causes of unrest, is to be reversed.

Despite many brave words, Mr Abdessalam's "war economy" has left the country's factories and finances in a more parlous state than a year ago. His campaign to clear out corruption and stamp out the black market has come to nil. Ordinary Algerians who believed his promise that their standard of living would not suffer from economic reforms feel betrayed.

The former prime minister proved only too true to his past. He reimposed tight state control on foreign trade and refused to allow the dinar, which had lost half its value between 1989 and 1991 – the two years during which Algerian leaders were implementing bold reforms aimed at liberalising their country's economy – to continue depreciating.

Massive injections of cash into state companies which remain unreformed has turned a budget surplus equivalent to 2.4 per cent of gross domestic product in 1991 into a deficit of 14.2 per cent this year, and pushed inflation beyond the 30 per cent mark.

Mr Abdessalam's policies have ruled out any agreement with the IMF. The one-year standby agreement reached in June 1991 was scuppered in December that year.

Officials at the IMF, the World Bank and the European Commission privately bemoaned what they felt was Mr Abdessalam's lack of understanding of economics. They regretted his suspension of key articles of the Law on Credit and Money which, in April 1990, opened Algeria to foreign investment and which, by December 1991, had led 131 foreign companies to sign joint ventures with planned investments of $2bn.

The appointment of Mr Malek as prime minister has been welcomed by senior European and US officials. He is known as an implacable opponent of the populist Islam propagated by the now banned Islamic Salvation Front (FIS).

Mr Malek knows that some kind of agreement with the IMF and Algeria's leading creditors, notably France, is indispensable. His government is expected to seek a dialogue which would enable Algeria to loosen the noose of the country's $26bn foreign debt. Servicing that debt absorbs three-quarters of export earnings.

The new French foreign minister, Mr Alain Juppé, gave public support to the Algerian leaders in their fight against the FIS earlier this summer, a reversal of the policy pursued by the former Socialist administration.

Western countries appear to be prepared to turn a blind eye to the abuses of human rights so long as economic reforms are pursued. The growing violence in Egypt and the fear of the consequences of FIS propaganda among poor north African immigrants in France has made French politicians more cautious about castigating its former colony for being undemocratic. Indeed, Mr Malek has had some success in convincing US, French and Italian officials that an FIS victory would not usher in a period of democracy.

Unlike many of his peers, who professed to believe in democratic elections, Mr Malek never bothered to hide his contempt for what he described as the "demagoguery" of those, on both sides of the political spectrum, who professed to build a democracy out of the ruins of a single-party state overnight. He consistently argued that until the economy was reformed and the authority of the state vested in competent and cleaner hands, free and fair elections were a chimera.

Reuter

A Khmer Rouge follower holds his child while seeking refuge near the Thai border. Cambodia's coalition government army had been shelling a rebel-held village forcing 540 villagers to flee

Bitter fight under way to succeed Mahathir

Kieran Cooke on the contest to be No 2

DR Mahathir Mohamad, Malaysia's prime minister, is an apparently fit and very active 68-year-old who shows no sign of retiring. But to judge by the bubbling cauldron that is Malaysian politics these days, it is as if Dr Mahathir, prime minister for the past 12 years, is already preparing to go.

A bitter battle is developing over who will succeed Dr Mahathir. In November the United Malays National Organisation (Umno), the country's dominant political party and main grouping within the ruling Barisan Nasional (National Front) coalition government, holds elections for party posts.

No one is likely to challenge Dr Mahathir's party leadership. But the contenders are out for the post of party No 2. The theory is that whoever emerges as deputy will one day inherit the Mahathir mantle and with it power and influence over almost every sector of the nation's life.

There are two main candidates for the post, representing very different strands in modern Malaysia. The present incumbent and deputy prime minister, Mr Ghafar Babar, is the same age as Dr Mahathir, and is a long-time Umno stalwart, renowned for his contacts with the rural voters.

Mr Ghafar describes himself as "just a kampong [village] boy", lays no claim to great intellectualism but feels that he has earned, through hard work and loyalty to his leader, the right to succeed Dr Mahathir when the prime minister eventually retires.

Mr Anwar Ibrahim, the finance minister and Mr Ghafar's opponent in the contest, is a very different kind of politician. Still only in his mid-40s, Mr Anwar has had a meteoric rise through party ranks.

Suave and urbane, his conversation peppered with literary and scholastic references, Mr Anwar is said to represent the *Malay baru* or new Malay, modern in outlook, a man capable of carrying through the ambitious Mahathir vision of making Malaysia a fully industrialised nation by the year 2020.

Mr Anwar, declaring his candidacy yesterday, said he wanted to help make Umno a party of the 21st century. But to an outsider Malaysian politics seems very traditional. Politics is segregated along strictly racial lines: the Malays, who make up just over 50 per cent of the population, join Umno while other races, mainly Chinese and Indians, have their own parties.

While the Chinese still control a large slice of Malaysia's economic activity, the Malays, through Umno, are the political masters of the country.

Umno leaders deny the party is involved in business. But commerce and politics are closely related in Malaysia. Umno in particular has built itself up into a considerable business – as well as political – force. The financial community talks openly of Umno-connected companies and business people.

Analysts of Kuala Lumpur's thriving stock market look as much at who is in or out of political favour as they do at company balance sheets in assessing market performance.

Mr Anwar's opponents say the finance minister has raised a vast monetary war chest to further his cause: his supporters are widely credited with having engineered a M$800m (£210m) management buy-out earlier this year of the country's biggest newspaper group and TV station. Opponents say national news is now increasingly favourable to Mr Anwar.

Mr Anwar's supporters are also believed to be linked to a company that has gained control of a M$3.5bn private power project, the biggest such scheme in the country.

The finance minister has strongly denied the talk about political fund-raising and has accused his rivals of spreading malicious gossip.

Dr Mahathir has chosen the role of elder statesman. He has insisted he is strictly neutral in the contest. But the prime minister has spoken out against money politics.

"It is the thin end of the wedge," he said. "Give a person 10 dollars and they will want more."

Dr Mahathir is also concerned about the damage a bruising contest between Mr Ghafar and Mr Anwar will do to Umno unity. In 1987-88 a party split almost caused Dr Mahathir to lose power.

Political analysts say a general election is likely early next year, both to renew Dr Mahathir's mandate and also to heal the political wounds that might be inflicted in the coming contest.

Malaysia is seen as one of south-east Asia's most politically stable countries – a key factor in attracting millions of dollars of foreign investment. Dr Mahathir insists stability will be maintained.

"We [in Umno] are quite rational people... we don't have that kind of very violent antagonism towards each other or total inability to work with each other" said the prime minister in a recent interview.

That view will be put to the test over the next two months.

Ghafar Babar (above) and Anwar Ibrahim: style contrast

Nigerian military faces protests

NIGERIA'S pro-democracy campaign groups have called a three-day stoppage to back Mr Moshood Abiola's claim to be the next president and to oppose the military regime's plan to hand over to an unelected interim government on Friday, writes Paul Adams in Lagos.

The two previous civilian protests organised by the Campaign for Democracy in recent weeks halted normal business life in the commercial capital, Lagos, and other parts of the Yoruba-speaking south-west, the stronghold of Mr Abiola, but failed to make an impact in the east or north of Nigeria.

Although the CD lacks a national network, it has done more than any other organisation to voice dissatisfaction with President Ibrahim Babangida's eight-year-old regime, which has four times postponed its promised transition to democracy. The protest is aimed at building up pressure on the government to step down before Friday, when the Nigeria Labour Congress has threatened a national strike. The military regime is due to name the members of a civilian-led interim government tomorrow.

ANC accused over prisoners

A commission of inquiry in South Africa has found that the African National Congress tortured, mistreated and in some cases killed prisoners detained in its prison camps outside South Africa in the 1980s. But it stopped short of blaming senior ANC officials for the abuses, writes Patti Waldmeir in Johannesburg.

In a report released yesterday, a three-man commission appointed by ANC president Nelson Mandela echoed criticisms from an earlier internal commission of inquiry, saying that ANC security officers had beaten, tortured, detained without trial, and in some cases executed detainees.

But it named only two senior ANC officials and accused them of relatively minor abuses.

More serious findings were made against members of the ANC's security branch, and the commission recommends that they be disciplined under the ANC's internal code of conduct.

Fall in Japan's capital spending seen

By Michiyo Nakamoto in Tokyo

CAPITAL spending by Japanese companies is set to fall this year for the third year running, according to a bank survey published yesterday, highlighting the continued weak state of the country's economy.

In a survey of 1,544 companies, Nippon Credit Bank found that planned capital spending for fiscal 1993 was down 3.8 per cent from the level given in a similar survey in February. This meant planned capital investment for the fiscal year would be 3 per cent lower than in the previous year. It was the first time in seven years that the level of planned capital investment had fallen between February and August, the bank said.

Capital spending planned by manufacturing companies was down by 15.2 per cent, marking the second double-digit decline in two years. Capital spending by manufacturing companies had fallen by 18.8 per cent in fiscal 1992.

Nippon Credit Bank also said that although non-manufacturing companies planned to increase capital spending by 1.5 per cent on the previous year, if utilities and leasing companies were excluded, planned capital investment would fall by 7.6 per cent.

Evidence of Japan's economic slump continued to surface. Toyota, Japan's largest car-maker, said it was temporarily transferring 175 employees to a group subsidiary. Production at the subsidiary, which makes bodies for recreational vehicles, one of the most active market sectors, was expected to grow, while Toyota's own production had been slowing.

Asahi Glass, a leading glass-maker, is closing a car-window-glass factory because of the slowdown in the domestic motor industry.

Russians hope to repay S Korea with missiles

RUSSIA hopes to repay $1.47bn (£980m) borrowed from South Korea by providing the Seoul government with high-tech missiles, fighter jets and other cold war-era weaponry, a Russian official said yesterday, AP-DJ reports from Seoul.

Russia's deputy prime minister, Mr Alexander Shokhin, who arrived in Seoul on Sunday for a four-day visit, said he would offer tha proposal to South Korean officials today.

They have said in the past they would consider such an offer, even if only to have training equipment similar to that used in North Korea. The former Soviet Union long was a weapons supplier to North Korea.

Russia is unable to repay the loans or to meet $58m interest payments because of economic difficulties, Mr Shokhin said.

Hosokawa stresses quality of life as goal of policy

By Gordon Cramb in Tokyo

MR Morihiro Hosokawa, Japan's prime minister, yesterday said the country needed to bring down its current account surplus "not just to maintain good external economic relations but also to improve the quality of Japanese life".

In his first policy speech to the Diet (parliament), he said he would seek to make Japan "a country of quality and substance", at ease with the world and with itself.

He also pledged political reform by the end of the year, in what is the main aim of the seven-party coalition, which this month displaced the long-ruling Liberal Democratic party. However, he was vague about the shape of the reform, over which the partners are still divided.

His address contained no new initiatives but appeared to indicate a number of shifts in emphasis. He placed greater stress than before on the funding of parties and politicians as a source of corruption. Such contributions would be replaced by "neutral, untainted public funding and other provisions", he said, in a reference to possible tax incentives for individual donors.

The coalition's ability to curb corporate contributions without being seen as victimising the LDP was given a strong boost last week when the Keidanren, the leading business grouping, said it would stop acting as a conduit for political funds – nearly all of which went to the LDP.

Mr Hosokawa took care to note the difficulties caused by Japan's high current account surplus in relations with the US and EC. He intended to seek its reduction by working for "expanded domestic demand and improved market access, and for such consumer-oriented policies as rectifying the disparity between domestic and international prices and promoting deregulation".

This was the approach announced following a meeting of economic ministers last Thursday. The US Federal Reserve stepped in later that day to assist the Bank of Japan in stemming a rise in the yen, which Washington had recently been thought to favour as a way to curb Japanese exports. Although the countries deny having done a deal, the move also followed a telephone conversation that day between Mr Hosokawa and President Bill Clinton.

The two are to hold a summit in late September, following framework talks earlier in the month on trade issues which Mr Hosokawa said were crucial. Japan may again need the Fed's assistance before that – the yen rebounded by Y1.10 against the dollar in Tokyo yesterday to Y103.35.

The prime minister was otherwise cautious on international issues. Noting that "protectionist moves seem to be on the rise", he said failure of the Uruguay Round of trade talks would "have a grave impact on the world economy". But he referred only obliquely to the problem of Japan's refusal to open its rice market, saying agriculture was a difficult issue for all countries and he would seek a solution based on "mutual co-operation under our basic policy".

Mr Hosokawa expressed remorse and apologies for war actions "including aggression and colonial rule". Under evident pressure from conservatives in the coalition, he added that there were also "supreme sacrifices made during the war" by Japanese.

For the future, he said Japan must avoid "falling prey to great-power ambitions" but should become "a country of unpretentious excellence" in government, business and everyday life. His phrase recalls the "lifestyle superpower" envisaged by Mr Kiichi Miyazawa, his LDP predecessor, but with a stronger commitment to social justice and consumer interests.

Mr Yohei Kono, leader of the LDP, members of which heckled repeatedly during the speech, said afterwards: "He speaks of reform but he is adopting a conventional policy line."

Mr Hosokawa said Japan's ageing society made a review of the tax structure a priority, to balance income, property and consumption taxes. The Social Democratic party, the largest coalition member, has opposed suggestions by some of its partners that consumption tax should be increased from the present 3 per cent.

Reflecting the mixed signals from official data, Mr Hosokawa said there were indications that "the domestic economy is finally emerging from the depths into which it was thrown" but "it would not do to take economic recovery for granted". His aim was to "create a climate conducive to the freer exercise of private-sector initiative".

Associated Press

Prime Minister Hosokawa rises to speak in the Diet. Beside him is Foreign Minister Tsutomu Hata

Iraq wants end to trade sanctions

Iraq insisted yesterday that technical talks with the United Nations on August 31 should also discuss Baghdad's demand that trade sanctions be lifted, AP-DJ reports from Amman.

An Iraqi foreign ministry statement confirmed that Baghdad would take part in the talks, aimed at resolving an impasse over deployment of monitoring cameras at Iraqi missile sites. The cameras have been installed, but are not yet switched on, pending the outcome of the New York talks.

The ministry said Iraq wants the talks to include the possible lifting of international sanctions imposed on Iraq after its invasion of Kuwait in August 1990.

Taiwan president cements control

Taiwan's President Lee Teng-hui gained firm control over the ruling Kuomintang's highest policy-making body yesterday, with progressive politicians loyal to him sweeping elections to the party's central standing committee, writes Dennis Engbarth from Taipei.

Conservatives, who previously held nearly half of the committee's 31 seats, retained just two.

To explain how Club World is changing we'd like to take you on a 10 hour flight.

Have you got 2 minutes?

Clutchingyourtightlypackedbriefcaseyou makeyourwaythroughthetightlypacked airport.People.Noise.Morepeople.You're justpreparingyourselftodothepassport control shuffle when hold on, you're leaving everyone behind.

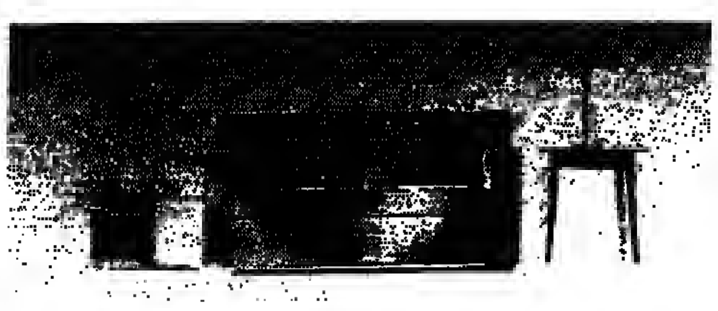
You're sailing through your own separate security channel.

As you drift through the doors of the new Club World Lounge, you hear something strange.

What is it?

Absolutely nothing.

You haven't heard that for a long time. Listen, there it is again.



Your flight announcement prises you out of the sofa and into... that old armchair of yours.

Wait a whoooooooops, your armchair never felt this good. And where did that foot rest come from?

Oh well, just lie back and think of... dinner.

A choice of four leisurely courses over three and half hours

or a lighter meal over a mere 60 minutes

So you could stop here

Or go on

And on and on

And to follow, may we recommend a small slice of escapism

You turn ▶ ON your personal seat-back video. Looking ▶▶ FWD to your choice of 8 channels of entertainment, you let your mind switch ■ OFF.

You've seen the film, now read a booklet: 'The Well Being in the Air Programme.'

Let's just try a few exercises.

Strrreetch your arms and breeeeeeeathe out

Rotate wrists clockwise (gosh, is that the time already?)

Breathe innnnnnn and out...

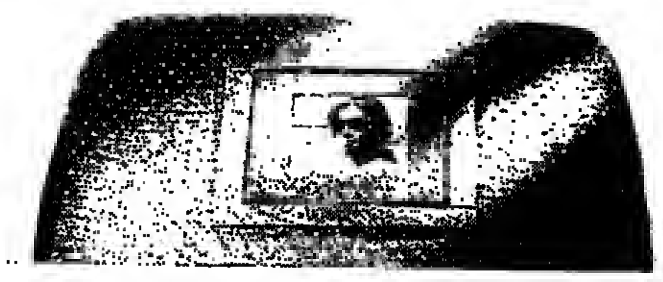
innnnnnn and out... eyelids getting

AWOKEN by a gentle alarm call and, exactly when you ordered it, breakfast.

Tropical fruit or *Birchermuesli*

Orange juice or *Energiser drink*

Eeni, Meeni, Miney or *Mo*



Right, let's have a ~~long~~ quick look at the presentation.

This seems to be a problem. — no it's not.

We just need to be more decisive on this.

or do we?

Before you know it, you've landed.

Please remain reading until the ad comes to a complete halt.

Congratulations. You've just flown around the new Club World in 80 lines.

CLUB WORLD

BRITISH AIRWAYS

The world's favourite airline

NEW SEAT AND VIDEO CURRENTLY AVAILABLE ON 60% OF AIRCRAFT.

Plan to transfer technology to East Germany denied

Miti probes Toshiba chip export claim

By Michiyo Nakamoto in Tokyo

Takemura: confirmed probe

JAPAN'S Ministry of International Trade and Industry is investigating a claim that Toshiba, a leading electronics maker, had agreed to transfer technology to former East Germany that would have breached an internationally agreed export ban to communist countries.

Mr Masayoshi Takemura, chief cabinet secretary, confirmed Miti was examining the allegations, contained in a Japanese daily newspaper.

The Sankei Shimbun newspaper claimed Toshiba had agreed in 1986 to transfer semiconductor chip technology to East Germany that would have breached rules set up by the Co-ordinating Committee for Multilateral Export Controls (Cocom). The group was set up in 1951 by Nato to monitor and control the export of products and technical data of potential strategic value to Warsaw Pact countries and their allies.

The newspaper said it had secret documents from East Germany indicating that Toshiba and Mitsui, the trading house, had agreed to help build a factory to manufacture 256-kilobit dynamic random access memory chips.

Toshiba, however, scrapped the deal after it was revealed in 1987 that a subsidiary of the company had exported machine tools to the former Soviet Union. This resulted in the company being excluded from US government procurement for three years.

Toshiba yesterday denied the latest allegations, saying it had made no agreement with East Germany on the transfer of semiconductor technology. The company said it followed strict export guidelines.

Toshiba said that between 1986 and 1987 the East German government had asked it to transfer technology for the manufacture of printed circuit boards and transistors for colour televisions, neither of which would have been in breach of Cocom rules. Mitsui was involved in the talks.

When the sales of machine tools to the Soviet Union came to light in March 1987, Toshiba cancelled the TV transistor technology contract it had signed with the East Germans and called off talks on the transfer of circuit board technology.

Miti said it had investigated the chip issue in 1988 – finding no evidence that Toshiba had agreed to transfer semiconductor technology to East Germany – but was reinvestigating since fresh allegations had surfaced.

Cocom still prohibits the transfer of technology for the manufacture of certain advanced semiconductor chips and the export of some semiconductor manufacturing equipment.

A$2.4bn Australian rail link proposed

FRANCO-BRITISH engineering company GEC Alsthom NV wants to build a high-speed rail link between Sydney and Canberra, government officials said on Monday, Reuter reports from Canberra.

Work would start on the A$2.4bn (£1.1bn) project in 1996 and Speedrail, as it is dubbed, would be running by 1999, according to the proposal.

Industry minister Alan Griffiths wants to meet the developers, a government spokesman said. "Obviously this a project of national significance – we'd like to discuss it further."

GEC Alsthom is half-owned by Britain's General Electric Co and Alcatel Alsthom SA of France, a spokeswoman for the company's Sydney subsidiary said.

The trains, modelled on the Train à Grande Vitesse now operating in France, would travel at 350 km (217 miles) an hour and take 75 minutes to cover the distance between the nation's capital of Canberra and the country's most populous city.

A second stage linking Melbourne, Adelaide and Brisbane with Sydney and Canberra is also being studied, the sources said.

The developers have sent their proposal to the federal, New South Wales and Australian Capital Territory governments.

GEC Alsthom would supply the rolling stock for the project, which would create up to 35,000 jobs, the sources said.

A similar plan was proposed by a consortium led by Broken Hill Pty but shelved in 1991 after the federal government refused developers' request for tax breaks during the construction phase.

The Speedrail proposal makes no such request. About 80 per cent of the projected cost is expected to be spent in Australia, the sources said.

GEC Alsthom last week won a contract to help build a 400 km high-speed rail link in South Korea, a project expected to cost US$13.2bn with completion in 2002.

Allied in Scotch deal with India

By Philip Rawstorne in London and Shiraz Sidhva in New Delhi

HIRAM WALKER, the spirits and wine division of Allied-Lyons, is to establish a joint venture in India with Jagatjit Industries of New Delhi, one of the country's largest liquor producers.

The 50/50 venture will bottle Scotch whisky in India and launch a range of locally-produced spirits for the domestic and international markets.

After decades of warding off foreign liquor manufacturers and encouraging a thriving market for spurious "scotch", India has opened its doors to the world's premium Scotch whisky-makers.

Allied is the third UK-based drinks company to enter the £800m market under the Indian government's liberalisation programme. Guinness and Grand Metropolitan have already announced the formation of partnerships with Indian companies.

Seagram, the Canadian liquor and food giant, has also been allowed to set up a wholly-owned subsidiary to make or blend 25,000 kilolitres of spirits a year.

Though the Allied-Jagatjit venture is not expected to make a significant contribution to Allied's profits for some years, Mr David Jarvis, chief executive of Hiram Walker, said yesterday: "We believe India has great potential for our products. We are delighted that the Indian government's positive policy for inward investment now allows us to be associated with Jagatjit."

The Indian government has not allowed foreign liquor companies to set up manufacturing capacities, and they will have to rely on the existing facilities of their joint venture partners, or purchase Indian spirits through contracts.

Jagatjit, which commands more than 25 per cent of the country's liquor market, is involved in the manufacture and marketing of malt, malt extract, dairy and food products, as well as in the production of bottling and packaging material.

The Rs100m ($3.2m) project in Maharashtra will import Scotch and bottle it in India for local sale and export to Gulf countries and possibly to South East Asia.

The company will bottle up to 30,000 cases of Scotch a year, and another 30,000 cases of blends with locally-made alcohol.

Exports have been made mandatory in order to offset import costs.

The Indian demand for Scotch is estimated at 1m cases a year, more than 75 per cent of which are spurious or adulterated, and 90 per cent of which are smuggled.

Nordic countries contest the spirit of EC policy on alcohol

Monopoly issue complicates EC membership talks, writes Christopher Brown-Humes

WHEN the European Commission told Sweden that it must scrap its alcohol monopoly. It brought to the fore one of the most sensitive and difficult issues in the Nordic countries' EC membership talks.

Sweden, Norway and Finland have operated Europe's most restrictive alcohol regime for much of this century and none shows any sign of giving up the policy without a fight.

The EC says the restrictions have to go because they conflict with rules on free movement of goods and non-discrimination. For the Nordic countries, it is a case of public health, for the EC it is one of competition.

The issue could have a decisive impact on whether the Nordic countries can get their membership applications approved by referendum. Sweden and Norway each have more than half a million supporters of the temperance movement; if mobilised, this could be sufficient to swing an otherwise close vote against membership if the EC line prevails.

Puritan attitudes to alcohol date back to the 18th and 19th centuries when heavy drinking was rife. Both Norway and Finland had a spell on prohibition earlier this century, before their current monopolies evolved. The aim today in all three countries is to discourage alcohol consumption by maintaining high prices and limiting availability.

Public opinion on the issue is split. A poll in Sweden last week found that 43 per cent of the public wanted the alcohol monopoly retained; a recent Norwegian study said as many as 59 per cent backed the current regime.

Norway and Sweden are taking the strongest line in the EC talks, saying that they want to retain monopolies over both imports and retail sales of alcohol. Attitudes are more relaxed in Finland, which has indicated that it considers retention of the retail monopoly to be the important issue.

The Commission does not dispute the Nordics' contention that their policies have cut alcohol-related problems - meaning everything from liver cirrhosis to drunken driving and violence in the streets.

But it says they can find ways of meeting their health objectives without retaining a formal monopoly. That could be through taxes, licensing, advertising, better information, and restrictions on sales to young people, for example.

Sweden counters by saying it is already doing much of what the commission recommends. It argues that it should be allowed to adjust its monopoly in so far as it transgresses EC competition rules, but that public health arguments should outweigh any requirement to scrap the monopoly.

As part of this emphasis on adjustment, Systembolaget, the Swedish monopoly retailer, is about to widen its selection of imported brands to demonstrate that the country's alcohol monopoly is not about favouring domestic suppliers.

Moves such as this may not be sufficient to win the argument. The Nordic countries still have to persuade a sceptical European Commission that the nanny state should have the right to dictate people's drinking habits. And they have to address evidence that actual levels of drinking are much higher than official statistics suggest.

According to Norwegian estimates, the country's spirits consumption is doubled if duty-frees, smuggling and home-distilling are taken into account.

It is difficult to see how a satisfactory solution can be worked out, given the weight of tradition and long-standing policy on the Nordic side, and the EC's intransigence towards monopolies on the other.

One answer could be to scrap the import monopoly and agree to phase out the distribution monopoly over a number of years. But Swedish politicians, at least, fear they will not be able to sell that to the temperance lobby. They say alcohol is one of the issues on which the EC has to show increased flexibility if Swedes are not to get a negative view of membership.

One Swedish politician comments: "It will be far better for the monopoly to disappear naturally, with prices coming down as import restrictions disappear, than if it is forced on us politically. People will see it as a classic case of unwarranted meddling by Brussels in our internal affairs."

Poland warned over gas pipeline

By Christopher Bobinski in Warsaw

POLAND'S sovereignty could be endangered by a proposed plan that would supply Russian natural gas to the country along an east-west pipeline, Mr Jan Olszewski, a former prime minister, warned yesterday.

Mr Olszewski was speaking on the eve of a two-day visit to Poland by the Russian president, Mr Boris Yeltsin. During the visit an agreement to build the pipeline is expected to be signed.

Mr Olszewski, whose right-wing Coalition for the Republic is one of more than a dozen political groups contesting parliamentary elections scheduled for September 19, contended that the pipeline would "nullify chances of obtaining gas from other sources such as the North Sea".

Russia currently exports 6.5bn cubic metres a year of natural gas to Poland, whose domestic production amounts to 3.5bn cubic metres a year.

Estimates of Poland's natural gas needs in the year 2010 assume that consumption will treble from present levels.

The pipeline would carry 67bn cubic metres a year 4,000km from the Jamal Peninsula in the Arctic Circle to western Europe.

Details of financing of the project have still to be divulged, but Poland could take delivery of 14bn cubic metres a year of gas as part of the agreement.

The Polish sector of the pipeline would be owned by a joint Polish-Russian operating company. The issue of ownership has been the subject of debate by critics of the project.

The state-owned Polish Oil and Gas Company has been negotiating the pipeline agreement with Gazprom, its counterpart in Russia.

The Polish company has also been exploring the possibilities of building a pipeline linking North Sea gas deposits with Poland's Baltic coast to bring in a further 10bn cubic metres a year.

State agency to challenge equal pay laws

By Robert Taylor, Labour Correspondent

BRITAIN'S laws on equal pay are to be legally challenged through the European Commission in separate actions by the government-appointed Equal Opportunities Commission (EOC) and the Trades Union Congress (TUC).

The EOC will ask Brussels next month to decide if Britain's equal pay legislation complies with EC rules. The EOC could find itself on a collision course with the government over what ministers will regard as a provocative move.

But the EOC's decision to refer the issue to the EC reflects the increasing exasperation inside the organisation at what it regards as the government's failure to comply with EC legal obligations on equal pay. The main reason for the EOC's appeal to Brussels is the negative response over the issue it received last month from Mr David Hunt, the employment secretary.

In a letter dated July 19 be rejected out of hand tbe EOC's proposals to strengthen existing equal pay legislation. These called for a speed-up in the slow and complex procedure in equal pay inquiries; an extension in equal pay award entitlemeots beyond the individual claimant to all workers in the same employment doing the same or similar work; and a move to allow discriminatory terms in a collective agreement to be challenged by an interested party or modified by a trade union.

In his letter Mr Hunt also rejected the legal advice given to the EOC that the government had failed properly to fulfil its obligations under the Rome Treaty and the directive on equal pay which Britain signed in 1975.

The employment secretary told the EOC the government needed to strike a balance between improving the law and ensuring that employers could avoid burdens that would threaten job opportunities. Mr Hunt also said he was firmly opposed to any proposals that sought to award equal pay to others in similar jobs or to allow trade unions or the EOC to challenge discriminatory pay systems.

"We have decided enough is enough", said an EOC official. She pointed out the EOC had been trying unsuccessfully for over three years to convince the government that it should improve existing equal value legislation.

Yesterday the EOC welcomed the TUC's decision to make a formal complaint to the European Commission over the abolition of wages councils that will come into force next week.

But the Department of Employment said last night UK legislation fully complied with the government's EC obligations. Tbe TUC complaint will be submitted to the EC's social affairs directorate for consideration. The commission has the power to take the government to the European Court, and if the court upheld a complaint the government would be forced to change its legislation.

Government tries to defuse rail fare row

By John Authers and Alison Smith

THE government yesterday attempted to defuse the growing political controversy over leaked plans by British Rail, the state network, to raise fares on some routes by 16 per cent ahead of privatisation.

While the leak has been interpreted as an attempt to spread damaging publicity on the government's plans for rail privatisation, tbe problems revealed in the document chiefly concern continuing funding difficulties on Network SouthEast, the London commuter division of BR.

The scale of the increases outlined In the document has alarmed many Tory MPs with constituencies in south-east England.

Sir Keith Speed, one of the leading Tory opponents of rail privatisation, said he was certain Mr John MacGregor, the transport secretary, would not agree to the sort of fare rise envisaged.

Pressure for fare increases has mounted amid Network SouthEast claims that £460m is needed annually until the end of the decade "simply to maintain the status quo". This would allow for replacing outdated rolling stock and essential maintenance, but would not include any extra routes or additional rolling stock.

Project investment for next year has been state-funded at £420m, according to Network SouthEast, leeving a £40m shortfall.

Passenger watchdogs and opposition MPs claim the shortfall has made fare increases inevitable.

Although transport minister Lord Caithness yesterday described suggestions of a 16 per cent fares rise as hypothetical, an FT analysis shows that rail fares on Network SouthEast – as well as London Underground and London's buses – have risen consistently ahead of inflation since 1984.

Since then, while the retail price Index rose by only 55.3 per cent, bus fares have risen by 92.3 per cent and Tube fares by 94.5 per cent. Network SouthEast registered an 81.7 per cent rise.

Since 1979, tha distance which can be travelled on any of London's public transport systems for a set fare has been cut by 20 per cent.

Over this period Network SouthEast has faced growing criticism for poor timekeeping and reliance on ageing rolling stock. Yesterday, it defended itself against criticisms, saying that a recent survey had shown it to be ahead of the French SNCF's Paris service by 7.8 per cent on measures of reliability and punctuality.

It admitted, however, that it received a £300m government grant last year, and even when this was included made a surplus of only £5m.

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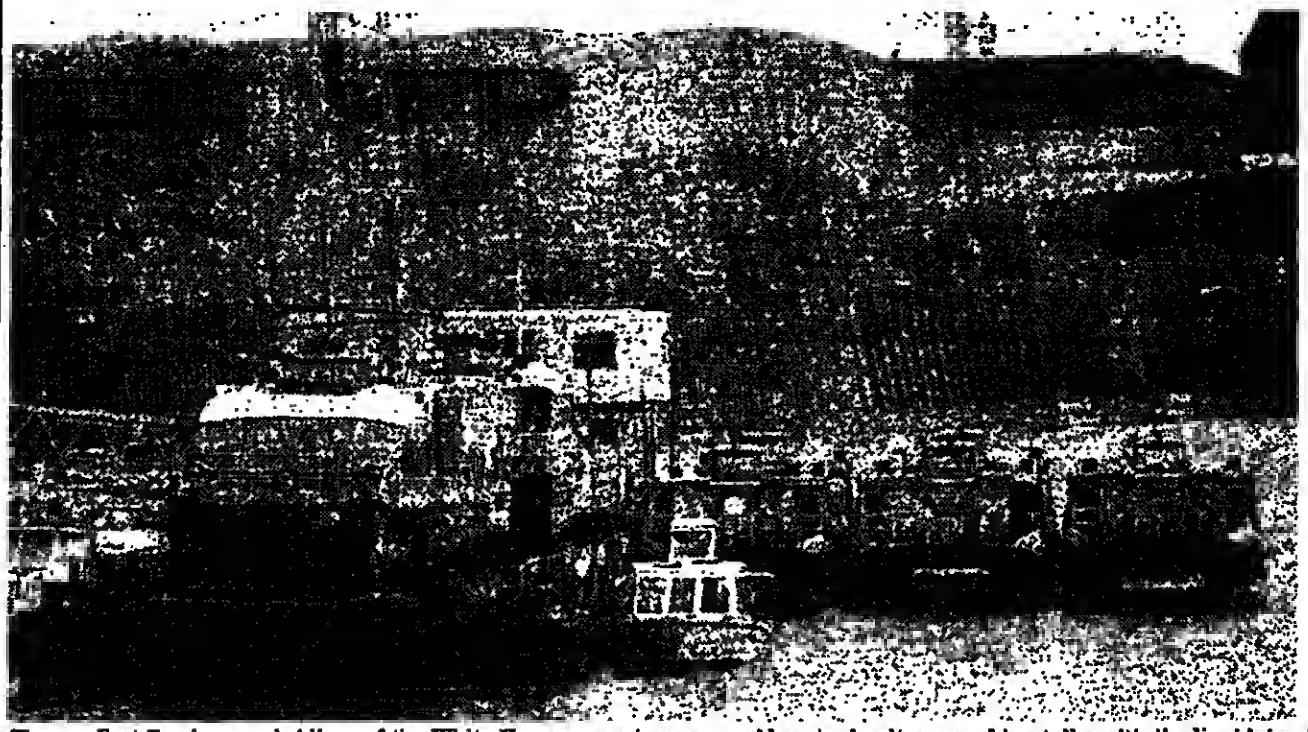


Thames Fast Ferries, a subsidiary of the White Horse property group, said yesterday it was seeking talks with the liquidator of the collapsed RiverBus company, which provided commuter services along the Thames until the end of last week. Meanwhile the failed company's boats remained tied up at Trinity Pier in east London Photograph: Ashley Ashwood

Britain in brief

Telecom deal to intensify competition

Competition between British Telecommunications and local cable operators is set to intensify following an agreement between the leading operators and Mercury Communications.

The deal gives the cable companies improved rates for completing the long-distance parts of calls made on their local phone networks, and will enable them to undercut BT's prices in their franchise areas. The cable companies – General Cable, Nynex, Encom, Southwestern Bell, Telewest and Videotron – provide most of the 180,000 cable telephone lines now in service.

The operators would not disclose the precise figures in the deal, but the new Mercury agreement gives them better overall terms than those available with BT.

HK promotion for London

The Corporation of London, the local authority for the City of London, and the London Docklands Development Corporation are to make a joint promotion in Hong Kong next month of London as a business district.

They aim to address what they see as misconceptions about London held by businesses in the Asia Pacific region.

These include fears about terrorism and concerns that the European Community has become more protectionist since the Maastricht conference on closer European ties.

More stock details likely

The London Stock Exchange plans to make more information available about the trading prices of stocks in smaller companies in an effort to boost their share liquidity.

The information will cover the trading prices of some 160 shares with only one registered marketmaker or with no marketmaker. Dealing in these shares must be conducted through offers posted on the Stock Exchange Alternative Trading Service (Seats).

Nissan output rises sharply

Japanese carmakers accounted for more than a fifth of UK car output in the first six months this year. Sharply rising production by Nissan and tbe start-up of plants by Toyota and Honda are compensating for falling output by the traditional car producers.

Overall production rose by 8.2 per cent in the first half of the year to 743,000 boosted by a virtual doubling of car output at Nissan's Sunderland plant in north-east England.

Wind farm plan unveiled

Proposals for a wind farm with 66 turbines in south Wales will be unveiled today.

Trigen Windpower – a joint venture formed by Ecogen, the Welsh renewable energy company, the Japanese Tomen Corporation and Sea West Energy Corporation of California – is seeking planning permission for the £4m project.

Western counties seek EC funding

By Roland Adburgham, Wales and West Correspondent

THREE west of England counties are making a joint bid for European funding to counter the impact of military cutbacks on the UK defence industry.

Avon, Gloucestershire and Wiltshire are lobbying for aid to help revitalise areas reliant on the defence industry and military bases. The government has until the end of this month to apply to the EC for a £15m share of the £100m Konver fund, announced in April by Mr Bruce Millan, EC regional policy commissioner.

It is the first time the counties have made such a joint approach. The bid, announced yesterday, is supported by tbe counties' Training and Enterprise Councils, by local MPs and MEPs and by the Avon-based Western Development Partnership, a forum for economic development.

Avon, Gloucestershire and Wiltshire are highly dependent on the defence industry with British Aerospace, Rolls-Royce and Dowty all operating plants in the region. Avon alone is estimated to have lost more than 7,000 defence-related jobs in the past six years.

Earlier this summer, the Confederation of British Industry said the impact of defence cuts in south-west England was comparable to the effects of tbe rundown of coal and steel production in Wales.

The Konver fund will require matching finance by the government, local authorities or the private sector. It is subject to the principle of additionality. That means it co-finances projects which will have an additional impact on the areas concerned and would not otherwise go ahead.

The Department of Trade and Industry has to inform Brussels by August 31 of the areas for which it is seeking Konver funds, and the DTI would subsequently assess specific projects which might be supported. The three counties want the aid for schemes to help redundant defence workers and to stimulate new business.

A study for the European Commission last year identified 24 of tbe community's 183 regions where defence employment was at least double the European average.

● Defence company Flight Refuelling is to shed 200 of its 1,000 workers at Wimborne, Dorset, it said yesterday. It blamed cuts in the aerospace and defence industries for the losses, which follow the axing of 100 jobs in March.

Tests soon at Thorp nuclear waste unit

By Bronwen Maddox, Environment Correspondent

THE government's Pollution Inspectorate is likely to tell British Nuclear Fuels within days that it can begin testing its controversial Thorp reprocessing plant in north-west England with uranium.

Greenpeace, the environmental pressure group, has opposed the start of testing on the grounds that it will prejudge the government's decision on wbether to allow the £2.8bn plant to start operating. Greenpeace warned yesterday that it would take legal action against any decision to allow testing.

BNF originally expected Thorp, which recycles used nuclear fuel, to receive authorisation at the start of this year. But the decision was delayed until the end of the year after strong opposition from politicians and environmentalists.

The inspectorate announced on July 22 that it was "minded" to allow testing on condition that, if BNF did not win the go-ahead for the plant, it would pay for decommissioning any equipment contaminated by the tests.

Securities industry faces demands from Brussels

Norman Cohen assesses the changes under the directive on capital adequacy

EVEN for those well-versed in the complex phraseology of European directives, the Capital Adequacy Directive (CAD) is vexatious.

Translated into English, it means most of Britain's securities industry will have to use a new measure of financial strength. Until now, the investment industry had to meet capital requirements set out by the Securities and Investments Board (SIB), the City's chief regulatory watchdog.

SIB officials are careful to point out that for a large number of firms, the cumulative capital requirement will not change; capital may simply be allocated differently among various business activities. But for a significant minority changes will be needed. For the first time firms which do not handle client money or trade for their own account will need to meet an intitial capital requirement of Ecu50,000 (£38,000).

Those which do handle client money will need Ecu125,000 (£96,000) and those which deal for their own account and underwrite issues will need Ecu730,000 (£560,000).

Under current UK rules there is no initial capital requirement; all capital requirements are related strictly to the degree of risk involved in specified activities. The rules require them to hold enough capital to cover fixed overheads for various periods and to hold capital against trading positions, with the amount dependent upon the amount of risk.

The CAD will require all firms to have enough capital to cover fixed overheads for 13 weeks a year. Smaller fund managers and investment advisers of other types need capital only to cover four to six weeks of fixed costs.

The so-called position risk requirements, which will mostly affect the securities firms which are members of the Securities and Futures Authority, are in some cases lighter than those in place.

But some firms will face tougher position limits. Current rules apply low requirements for securities firms that trade equities for their own book and meet strict portfolio diversification requirements. The CAD makes no adjustments for the extent to which diversification reduces risk and some securities firms, in particular the larger ones, may have to hold more capital against their portfolios.

Even among firms with no interest in operating overseas, hundreds may find they need to raise additional capital or alter their business mix.

"A lot of firms will think 'Well, I'm not going to use the European passport so this won't affect me'," said an SIB official. But the regional stockbroker in Maidstone is as subject to the new rules as S.G. Warburg, a fact which has not yet fully penetrated the industry, regulators say.

Regulators point to a number of mitigating factors. The EC's Capital Adequacy Directive applies only to investment business as defined by the Investment Services Directive, which specifically excludes firms which only give advice. Fimbra, the self-regulatory body for financial advisers, estimates that is the case for more than 80 per cent of its members.

MANAGEMENT: THE GROWING BUSINESS

BSI's environmental management system may cause difficulties for small firms, writes Peter Carty

Struggling with new standards

Many small businesses struggling with BS5750, the British Standards Institution's quality systems standard, may soon have to grapple with BS7750, its successor for environmental management systems.

The BSI decided to develop the standard because it wanted to respond to increasing concerns about environmental performance. BS7750 details a specification for an environmental management system that will enable an organisation to ensure compliance with its chosen environmental policies. It also contains advice on how to put the system in place.

Having the management system will facilitate environmental auditing of the organisation and compliance with BS7750 will prepare it for participation in the EC's eco-management and audit scheme (Emas).

The environmental management system laid down in BS7750 has a lot in common with that of BS5750. Indeed, the similarity in the numbering of the two standards is intentional to demonstrate the strong links between them. BS7750 can be seen as an add-on to BS5750.

Both standards have something else in common: just as compliance with BS5750 is no guarantee of an organisation's output being of high quality, since low-quality targets can be set within the system, so compliance with BS7750 does not ensure good environmental performance. Toxic emission targets, for example, could be set to unacceptably high levels.

A version of the standard has existed for over a year, but as yet the BSI does not think it has been developed enough to issue certificates of compliance.

Although at least one consultancy, SGS Yarsley ICS, has been granting certificates, the BSI regards this as "premature and misguided".

But a pilot programme earlier this year to test the standard in more than 100 organisations has now ended, and a draft of the revised standard is out for public consultation until the beginning of September.

The final version should appear by the beginning of December and widespread certification should start after accreditation procedures have been set up to vouch for certifiers. In fact, the only significant revisions in the standard are those bringing it into line with Emas, under which businesses will undergo environmental audits and publish results. Emas is set to get fully underway in 1995.

The concern of small businesses is that BS7750 will cause them problems similar to those of BS5750: disproportionately high implementation and certification costs, and the thinning down of tender lists by excluding those who do not have it.

"BS5750 is a nightmare for small businesses," says Bernard Juby, trade spokesman for the Federation of Small Businesses. "BS7750 we see as the incestuous cousin – it's even worse." Juby finds the standard more nebulous than BS5750, and is apprehensive of some councils and large companies making it mandatory in all but name for suppliers, in a similar way to that in which some have dealt with BS5750.

"It's supposed to be a voluntary standard," he complains of the latter.

Some of the businesses from the pilot scheme also think BS7750 is vaguer than BS5750. "It's probably slightly woollier because the subject area is less easy to pin down and define," says Sam Phillips, engineering manager at the Mann Organisation, a 50-employee company which recycles computers and electronic equipment.

The business has had to abandon implementation of BS7750 for the time being, partly because it is still busy with BS5750. "It would be very, very difficult I think for anyone to implement BS7750 if they haven't actually got BS5750," says Phillips.

"If you're coming at it cold, particularly small businesses without BS5750, they won't know their arse from their elbow," agrees Richard Hall, TQM systems manager of the Renlon Group, a £6m turnover, 60-employee property preservation and construction company.

Chris Sheldon, the BSI's environmental spokesman, disagrees. He says experiences on the pilot scheme varied. For example the group of companies from the print and packaging sector, which included many small and medium-sized businesses, say they do not think BS5750 is a prerequisite for BS7750.

The signs are not promising for small businesses worrying about the expense of compliance with another standard. Phillips and Hall have experienced interest in their environmental management systems from large companies and local councils.

"They haven't actually put pressure on us in the sense of having it documented, but we have been audited by a couple of them to make sure that what we're doing meets their standards," says Phillips. He thinks that at some point there may be insistence on compliance with BS7750 before contracts are awarded.

One large company the Mann Organisation does business with is IBM. "The most likely position we would want to take with our suppliers for BS7750, once it does finally emerge, is, in a nutshell, encouragement," says Eric Dewhurst, engineering services manager at IBM's manufacturing and development site in Greenock, Scotland.

"It would not be a requirement in the sense of being mandatory." He thinks the company's policy will be similar to the one for BS5750, with which it normally expects big companies to comply, but not necessarily small ones.

The Renlon Group is applying for membership of the London Borough of Merton's approved contractors' scheme. BS5750 certification is not mandatory to get onto tender lists for the council's contracts. "We don't insist upon it, but obviously when contractors are vetted to come in on the scheme we ask for various safeguards in that respect," says David Jones, a senior building surveyor in the council's property services department. However, Jones says the award of contracts can depend on whether a business has a certificate or not, and it may not always be possible to take small businesses' circumstances into account. Might they sometimes lose out as a result? "Possibly."

Jones says that at present environmental management systems are sometimes taken into account when awarding contracts and that compliance with BS7750 may be taken into account in the future. "If suppliers can show that they're moving towards that direction then I think we would take that on board in the selection stage of tendering."

The BSI is against mandatory application of BS5750 and is listening to small businesses' criticisms. It has set up an independent committee with small business representatives which is undertaking a survey of problems.

This may provide little insurance against future problems given the legal and social context of BS7750. Large organisations are concerned about public perceptions of their environmental performance and have legal responsibilities under statutes such as the Environmental Protection Act 1990, the Water Resources Act 1991 and the Control of Pollution Act 1974.

"There will be an increasing trend for companies to require their suppliers to have some form of qualification and the ready-made qualification off the shelf is BS7750," says Michael Renger, a partner in the environmental department of lawyers Nabarro Nathanson.

Bernard Juby

"BS5750 is a nightmare for small businesses. BS7750 we see as the incestuous cousin – it's even worse" – Federation of Small Businesses

Entrepreneurs use creative skill to succeed

Leyla Boulton on survival tactics in Russia, where capital investment is almost unheard of

The screen flashes up an image of a Russian entrepreneur practising his karate skills, then driving around Moscow in a Lada. "This man has big business on his hands: Russian knitwear," a voice purrs in the background.

Alexander Panikin, 43, says he commissioned "The Factory Owner", a video about his company Pan Inter, to present himself "as an example to others".

Promotional puff aside, he has grounds to boast. He manages one of Russia's rare small businesses involved in manufacturing, at a time when import-export operations dominate the new private economy.

Panikin's business has emerged from the ruins of seven decades in which, he says, "the Communists destroyed everything that moved".

He was lucky to have accumulated capital in the dying years of the old regime when prices were controlled by the state and money lending was cheap.

The irony today is that though prices have been liberalised, private trade allowed and privatisation is officially under way, new businesses find it virtually impossible to obtain finance for capital investment.

Last month the International Finance Corporation launched the first international effort to stimulate small and medium-sized businesses in Russia by lending \$15m (£10m) to a Russian commercial bank for on-lending to new companies.

The IFC admits, however, that its contribution is just a drop in the ocean for Russian business development, until Russian entrepreneurs are able to mobilise the billions of dollars potentially available in domestic capital when investment circumstances improve.

With inflation running at 1,000 per cent a year, most entrepreneurs and banks have little incentive to launch into any project that does not bring virtually immediate returns.

The International Finance Corporation is lending \$15m to a Russian commercial bank for on-lending to new companies

Entrepreneurs such as Panikin, who are showing the way by a combination of hard work, luck and initiative, are indeed a rarity.

Panikin set up his factory, which now employs 700 people, with profits made from a co-operative set up under legislation introduced by President Mikhail Gorbachev in the late 1980s.

"I started off with six sewing machines but I had a profit margin of 600 per cent," he says, illustrating the pent up demand for consumer goods which existed in Russia's then closed, and now still heavily militarised economy.

Today his margins have been reduced to 100 per cent by import liberalisation, which has introduced competition, and by price liberalisation, which has cut the population's purchasing power.

In an attempt to beat inflation, which destroys rouble earnings, he converts his profits into hard currency and immediately ploughs them back into the company.

Another challenge for business is that market institutions taken for granted in the west, such as efficient suppliers, distributors, and a normal banking system, are absent in Russia.

Panikin sells his clothes in 10 kiosks he owns around Moscow, which means he works mainly with cash, and relies on his own sales network to find out what sells and what prices he can get away with. In order to obtain the necessary quality he dyes the threads used for his knitwear.

The IFC's lending initiative is part of the international effort to stimulate business, but action needs to be taken in Russia to help budding Panikins. Irina Razumnova, who heads a small business support centre with funding from the cosmetics company Avon and the Canadian government, says: it is no bad thing that small businesses find it difficult to raise finance for manufacturing as it is services that are needed. She adds: "The main problem is that our people do not know how to work." The business support centre provides short courses in accounting and management skills.

Razumnova believes one of the biggest problems facing small businesses is people attitudes: how do you change the habits of employees accustomed to a system once jokingly described as "pretending to pay the workers while they pretend to work".

Higher than average pay packets (the equivalent of around \$100 a month) are still topped up with subsidised food, such as sugar, which is expensive in the shops, and other non-monetary benefits. Panikin's staff also receive benefits – clothes can be purchased at a 50 per cent discount from the sales price and Panikin has even given plots of land away to workers.

TECHNOLOGY

Price pressure

Upgrading a PC is possible but can cost as much, if not more, than a new model, finds Geof Wheelwright

The age of the disposable personal computer is here. In spite of the growing number of manufacturers producing "green" PCs, the sad fact is that most systems are built to be thrown away and, in the short term, little is being done to change that.

It all comes down to economics. In the world of PCs, new technologies are being introduced and adopted so quickly that it is rarely worth upgrading an older computer.

For anyone who does not want a disposable PC, there are theoretically a number of technologies that could make life easier. However, there is no guarantee as yet that they will work. One solution is the idea of the upgradeable computer processor. It has been used by various PC manufacturers over the years in building so-called "future-proof" PCs.

There is no better illustration of the pitfalls of this approach, though, than the recent array of "Pentium-upgradeable" systems. Pentium is Intel's latest computer processor. Pentium-upgradeable systems were supposed to allow users to remove the moderately powerful Intel 486 processors and replace them with the Pentium processors, as these became available to users, in order to achieve the much higher performance.

Unfortunately, when the Pentium processor was installed on the 486s, over-heating problems occurred. In addition, memory and storage capacity were not always installed in the most appropriate configuration for Pentium-based systems.

Owing to such problems, even the properly-executed Pentium upgrade often ended up costing as much as buying a brand new Pentium system – and it still did not deliver the same levels of performance as an off-the-shelf model.

If upgrading PCs were just a matter of solving the problematic processor installations, however, an appropriate method could eventually be found. The complicating factor in the process is the fast pace of change in the complementary technologies – especially in video display, memory and in data storage areas.

The performance of personal computer video in particular has improved dramatically in the past few years.

In most IBM-compatible PCs, video output is generated through the use of a display adaptor expansion card that sits in one of the PC's "expansion slots", but these adaptor cards run at a rate of only 8 Megabertz. While 8 MHz speed was fine in 1984, today's fastest PC processors can run at between 40 and 66 MHz – with 100 MHz 486 processors not far off.

A variety of solutions to meet the video and memory requirements have been put forward including video accelerators, faster processors on the video display adaptors – as well as more memory. Whatever changes are made to the video card, however, it still has to communicate with the motherboard of the PC at only 8 MHz.

And this is where "local bus" video comes in. This is a way for the video circuitry to talk "directly" to the processor over a "local bus" – rather than the standard AT expansion bus (data channel).

This means that a local bus video system has to be built on to the motherboard of the computer in a proprietary fashion – at least until some form of local bus video standard evolves. There are 32-bit expansion slots in existence, but none will yet operate at the speeds that can be achieved by hanging a local bus directly off the processor.

Local bus video systems claim to be able to run at between 33 to 50 MHz.

And with today's Microsoft Windows applications demanding that amount of additional performance, it is clearly a technology that will be increasingly in demand over the coming years.

There have also been significant improvements in increasing PC memory capacity – either random access memory (Ram) or magnetic storage. Again, this would enable Windows applications to be loaded on to a system which originally had too little memory capacity to run such software.

Although technology advances make PC upgrades possible, they are still problematic. So if you want a better PC than the one you already own the most simple answer may be to buy a new one. The real challenge will be to find a home for the old computer.

Technically Speaking

Conflict in the computer market

By Bill Passmore

"THE WORD "proprietary" to the computer market these days elicits much the same response as "cold war" does to the world at large. If the battle has not been won, then at least it has gone away. We now live in an open world.

Unfortunately, it is not true, and it would be dangerously complacent to think otherwise. The cold war is not over, only the players and territory have changed.

Open systems mean that users are not tied in to any hardware or software that will limit their future room for manoeuvre. They can select what is best for their needs, rather than what their supplier chooses to give them.

The traditional enemy of open systems was the hardware supplier. Mainframe and supermini suppliers provided computers with unique operating systems. If you built your company's computer strategy on such a platform, you were stuck with it.

However today, open systems users can rejoice in the knowledge that they have in the Unix operating system a stable software platform on which to build and a range of hardware from which to choose. All of the leading Unix vendors – including some of its erstwhile enemies – are now party to the Common Open Software Environment, or Cose, which aims to bring further commonality to the Unix world in such important areas as screen windowing.

This is good news for the user, but it is not being done entirely for the sake of standardisation. It is also being done because Cose members see the threat to openness of the dominance of a new proprietary enemy – Microsoft.

The software company has given the PC user an operating system and a range of tools and applications that dominate their markets.

Microsoft's more recent product offerings – its larger applications and, in particular, the Windows NT operating environment – are set to take it into the multi-user, multi-tasking domain – the province of the Unix vendor.

There is an uneasy alliance between the two sides of Microsoft's business – operating and applications software – which has given rise to anti-trust investigations at the US justice department. Rival applications vendors contend that Microsoft's ownership of Windows gives it an unfair time-to-market advantage.

It is in no one's interests that the balance of power should tip towards one company. Such a shift limits a customer's ability to choose, leading to less competition and less innovation.

There are already similar danger signs in the Unix-led market that Microsoft is now attacking. There is much at stake with Windows NT, Microsoft's Unix competitor, and Microsoft has said that it may alter the source code – the heart of the software – to prevent other companies from running applications in an NT-like environment.

What is more, despite claims to the contrary, NT is currently not based on recognised standards. (It has, for example, no X/Open recognition – the universally recognised mark of a standards-based open system.) If Microsoft continues to ignore this issue there will be a return to the days when users were beholden to the dictates of their suppliers which would be the very antithesis of openness.

There is a far more worrying threat to open systems. Novell acquired Unix Labs, which owns Unix, a few months ago. The company is determined to challenge Microsoft's dominance and it will build volume not just for Unix, but for its own Unix applications.

But Novell may go further than this. One senior vice-president was quoted in July as saying, "Unix will be proprietary". Suddenly the idea of a closed Unix is no longer unthinkable.

The computer market is intensely competitive. But unfortunately, the hard-fought principle of open systems is in danger of being lost in the process. It was users who fought for open systems; it will be users who suffer in a conflict of this kind.

Bill Passmore is vice-president, northern Europe for Sun Microsystems.

A giant leap forward

Scientists at International Business Machines' Adstar data storage division in San Jose, California, have achieved a breakthrough that is expected to increase the amount of data that can be stored on a computer disc drive by a factor of about 30 by the end of the decade.

The Adstar scientists predict their new method of producing a phenomenon called "giant magneto-resistance" will make it possible to store up to 10bn bits of information per square inch of the surface of a computer disc. This is roughly equivalent to storing all of the text of 10,000 300-page novels on a double-sided, 3.5inch hard disc drive.

Magneto-resistance is a change in the electrical resistance of a material when it is in the presence of a magnetic field.

IBM has pioneered the use of this phenomenon in data storage systems. Data is stored on computer disc in the form of minute magnetised spots. When a magneto-resistive sensor or "head" skims over the surface of the rotating disc it passes through the tiny magnetic fields produced by these dots and its electrical resistance is changed, producing a signal that "reads" the bits of data stored on the disc.

However, as the density of data stored on computer discs increases, the magnetic spots become smaller and smaller and it becomes more difficult to detect their magnetic fields.

The giant magneto-resistive effect represents a potential solution to this problem. It produces an electrical signal more than five times stronger than that produced by heads based on conventional magneto-resistive technology.

Until now, laboratory demonstrations of giant magneto-resistance have required exotic materials, very low temperatures, or complex processes. However, the IBM researchers have designed a giant magneto-resistive sensor that is relatively simple to make. It is based upon a stack of very thin layers of magnetic (nickel-iron alloy) and non-magnetic (silver) materials.

Fabricated using standard semiconductor production techniques each layer of material is only about two billionths of a meter thick.

The structure is then annealed in a furnace to align the magnetic poles of adjacent layers in opposite directions. When the structure is placed in a magnetic field, all of the magnetic layers align in the same direction, producing a "giant" signal.

Adstar now plans to move the technology into its development laboratories, to make prototype disc drive heads capable of reading data stored on a disc. The next step will be to optimise the materials and processes for mass production. The technology is expected to appear in products in about three years.

"There should be no fundamental problems in transferring the technology from the laboratory to manufacturing," says Kevin Coffey, one of the group of Adstar scientists that has worked on the project.

IBM has patent applications pending on the structure and the process for producing its giant magneto-resistive sensors.

An unusual aspect of the giant magneto-resisitive sensor development is that it was conducted within the IBM product group, rather than at the company's research laboratories.

The research was conducted as part of an "IBM Fellow" programme, under the leadership of Kent Howard, one of IBM's leading scientists who was made an IBM Fellow three years ago. The programme gives IBM's top scientists great latitude to pursue their research interests and work directly with product groups.

For computer users, the development promises higher density and lower cost data storage. This is becoming increasingly important with the advent of multi-media computing requiring storage of large quantities of data including video, voice and graphics as well as text.

Louise Kehoe

BUSINESS AND THE LAW

Competition supremo

Robert Rice speaks to Graeme Odgers, head of the UK's Monopolies and Mergers Commission

Publication last week of the Monopolies and Mergers Commission's long-awaited reports on British Gas shot Mr Graeme Odgers into the public limelight for the first time in his new role as MMC chairman.

Although Mr Odgers arrived at the MMC too late to be closely involved with the report, the generally favourable reaction to the commission's findings has ensured a good start for the Odgers' era.

However, it is too early to judge whether the appointment of Mr Odger, an experienced industrialist, will translate into an overall change in approach to competition policy.

Mr Odgers' appointment by Mr Michael Heseltine, trade and industry secretary, last December, was generally seen by observers as another step towards a new approach to competition issues.

When Mr Heseltine took over at the DTI, he promised a pro-industrial policy, intervening to help British companies "before breakfast, before lunch, before tea and before dinner". As an industrialist and the first non-lawyer to head the Commission, Mr Odgers was seen as Mr Heseltine's man.

Mr Odgers' industrial credentials made him an ideal candidate for the task of bringing a more pro-industry focus to the work of the commission.

At Tarmac, he revived the construction company, increasing turnover from £85m to £1.6bn during his seven-year spell. He moved onto British Telecom, first as deputy chairman and chief financial officer and then as group managing director under the chairmanship of Mr Iain Vallance.

It was a very difficult time [at BT], says Mr Odgers. The telecommunications group was experiencing widespread problems and after "struggling manfully" with these for four years, he left suddenly in early 1990, returning to the construction industry as head of Alfred McAlpine.

Mr Odgers put his abrupt departure from BT down to "a clash of management styles" with Mr Vallance. One-on-one relationships are always difficult, he explains, unless there is real understanding and a coincidence of style.

"Perhaps I was too inflexible in some ways in my commitment to decentralisation and in my views about how a business should run to make the relationship work."

Mr Odgers' public sector experience is also thought to have impressed Mr Heseltine. In the early 1970s he spent three years as head of the DTI's industrial development unit.

Peter Walker was then trade and industry secretary. But by the time Mr Odgers had taken up his appointment, there had been a change of government and he found himself working for Labour's Tony Benn.

The Conservatives saw the IDU as a vehicle for handling regional aid under the Industry Act; but under Mr Benn its role widened and Mr Odgers found himself heading the investigation and negotiation of support deals for lame duck companies such as motor manufacturer British Leyland.

"Heading the IDU in the middle of an industrial crisis and trying to reconcile the political aspirations of one's masters with the industrial and commercial realities of the marketplace was what I call a challenging job," he says.

He found the experience "riveting"; so much so that when the opportunity of returning to the public sector presented itself – as as head of the MMC – he had little hesitation in accepting.

The only hole on his curriculum vitae as far as the MMC job was concerned was the lack of a legal qualification. At the time of his appointment, this lacuna was seen by many as an advantage; Mr Odgers was viewed as a hands-on industrialist prepared to inject some much-needed pragmatism into the legalistic procedures which surround UK competition policy.

Three and a half months into the job, Mr Odgers is not so sure. The commission operates within a legal framework, he says; failure to observe the law would result in its decisions being challenged in court. Mr Odgers has therefore been put through a series of tutorials with the Commission's lawyers, which he describes as

Trevor Humphries

Odgers: off to a good start with the MMC's British Gas reports

"rewarding, but hard work".

So is he Mr Heseltine's man? "Obviously, given my background, there was no way I was going to approach the job from a legalistic point of view. When looking at the public

As an industrialist and the first non-lawyer to head the MMC, Odgers was seen as Michael Heseltine's man

interest criteria I'm bound to put full weight behind the industrial and commercial considerations."

He is, nevertheless, a firm believer in the importance of competition. "If you don't have a sound competition environment you're not going to have sound competitive industries."

"But," he adds, "competitiveness – the ability to compete in whatever is the relevant market – is also hugely important."

Does this mean that the enforcement of competition policy must be flexible – that it is pointless having strong competition in local markets if it prevents companies competing on the world stage?

"What I'm saying is that you have to identify what the relevant marketplace is in each case. What you don't want is, in stimulating competition within local and domestic markets, to stop your relevant industry competing in what turns out to be the real marketplace, which may be the European or an international marketplace.

"Sometimes these conflicts occur and one has to take it into account, no question about it.

"Having said that," he adds, "the best stimulus to the creation of strong international competition is a strong competitive framework within your own domestic marketplace. If you don't have it, you'll have soft industry."

Mr Odgers is happiest talking about competition and its relationship to competitiveness. He is less forthright on other issues such as reform of competition law, relations with the European Commission and the structure of the UK competition authorities.

He has yet to meet Mr Karel van Miert, EC competition commissioner, but foresees no problems in reaching common ground on a variety of competition issues with his EC counterpart.

Nor does Mr Odgers see the need for radical change to the UK law on the abuse of monopoly power – a view shared by his predecessor, Sir Sydney Lipworth. And he is cautious about any change in the relationship between the MMC and the Office of Fair Trading; he welcomes the recently announced government review of the OFT.

As an industrialist Mr Odgers is aware of industry complaints about the duplication of effort between the OFT and the MMC and the administrative burdens this places on parties involved in investigations. Mr Odgers would like to streamline and speed-up procedures, but maintains that, if the MMC is to do its job properly, then there are inevitably going to be burdens on industry. The process is, he says, "a balancing act".

Like his predecessor, Mr Odgers would welcome the appointment of more hands-on industrialists to the MMC but recognises the difficulties many prospective candidates would face in devoting sufficient time to the commission.

Barely 100 days into the job, has he changed his views in any way since arriving?

He says he had not appreciated the full extent of the difficulties of competition policy. There are all sorts of internal dilemmas and inconsistencies which make any MMC judgment "so much more difficult than I had originally thought".

Good faith at risk

Lloyd's case reveals a lacuna in English law, according to A H Hermann

The dispute between Mrs Patricia Ashmore and other Lloyd's Names and the Corporation of Lloyd's, will be heard by the Court of Appeal in February next year.

It has been before the courts since 1988. After much effort and money was spent on the full trial, the Corporation asked that the preliminary issues of law be tried first, thus avoiding publicity for the underlying facts. The plaintiffs' objections were overruled by the Law Lords.

Deciding the issues of law a year ago, Mr Justice Gatehouse ruled the Corporation has no duty of care towards its members and has immunity from damages.

The final decision will affect the readiness of Names to underwrite risks and the City's reputation as a place where contracts are performed in good faith.

English law is different in that it does not include a generalised concept of good faith and fair dealing. To achieve the same effect judges developed a variety of devices. Thus for 200 years the courts of equity have refused to enforce contracts which no sane, honest or fair-minded person would accept, calling such contracts "unconscionable".

Trustees, and directors of companies, are bound by a fiduciary duty, while a duty of care, not to cause harm to their employers and inform them of potential dangers, is implied by law in such contracts as are daily concluded by agents or builders.

One would assume that *these rules, without which* business could hardly exist, bear on the relationship between Names and the Corporation; and that they are reinforced by special Lloyd's Acts between 1871-1982.

But this was not the judge's view. He rejected the plaintiffs' claim that the Corporation had a duty of care to protect them against misbehaving or dishonest agents managing Lloyd's syndicates, and to inform them in time of misbehaviour so they could avoid losses.

The judge also accepted the extensive interpretation of the immunity from damages granted to the Corporation by the 1982 Lloyd's Act in respect of their statutory duties. He ruled that it also encompasses breach of contractual duties about which the Act is silent.

The Court of Appeal will be asked to say what are the implied contents of the contract concluded between a Name and the Corporation.

By such contracts Names allow agents managing Lloyd's syndicates to underwrite in their name risks for which Names then bear unlimited liability. They must not interfere with the business of the agents, who are not members of the Corporation, but who are admitted and supervised by the Corporation and report their dealings to it.

As it is a duty of a contractual agent to obey his principal's instructions, it would appear managing agents are organs of the Corporation and it is the Corporation which is the agent of Names.

This argument, which the plaintiffs seem to have overlooked, is reinforced by the fact that all premiums are collected by brokers admitted and supervised by the Corporation, and who also acted as managing agents of syndicates until 1987 when this conflict of interests was removed.

The contract leaves Names two safeguards: an individually agreed limit on total premiums, which limits the risk that may be underwritten in their name; or the statutory assurance that the object of the Corporation is to protect and further Names' interests and keep them informed.

Only the Corporation knows, or can take steps to know, whether the premium limit has been exhausted, and it seems to be its contractual duty to stop the limit being overstepped. When inviting a prospective name to sign the contract, the Corporation gives him documents claiming that it controls the admission and operation of brokers and managing agents.

He who claims influence and power in making a contract should exercise it in performing it. Or, as Sir Henry Fisher, the judge, wrote in his 1980 report, the Names "can reasonably look to the committee [now the Council] for protection".

The Corporation's duty to respect the premium limits and inform Names of any doubt about the skill and honesty of the agents must be on the mind of the parties when signing the contract as "a matter of course" – a test of implied duty.

The other test, that such implication is also necessary, is obvious: no person in his right mind would put in another's hands not only his fortune but also the power to bankrupt him by undertaking in his name risks without limit; nor would he forgo the right to be informed about mismanagement or dishonesty by those underwriting risks in his name.

If the higher courts decide that the Corporation has such a duty of care towards Names, the case will return to the High Court for trial.

To succeed, the plaintiffs will have to prove the Corporation failed to protect them against exposure to risks substantially exceeding the agreed premium limit and that the Council did not even inform them of the conclusions of the Chester Committee of Enquiry. This alleged certain underwriters and brokers were claiming they kept business within the agreed limits when they were exceeding them.

The plaintiffs add that the Council allowed the agents to continue to operate on behalf of the Names though it found the Chester report's allegations serious enough to stop new Names joining the criticised syndicates.

The Corporation has made a number of reforms and is seeking corporate investors to underwrite insurance. The latter are likely to press for better internal controls. Yet the outcome of the appeal remains of great significance.

PEOPLE

Brown to take on Rechem's problems

Shanks & McEwan, the waste management company, has hired Colin Brown from Exxon Chemical as the new operations director of the environmental services division.

Since he lives in the New Forest, Brown will be not too far distant from the incineration plant at Fawley, one of five sites around the country for which he will be responsible and which was last year fined for discharging arsenic into Southampton Water.

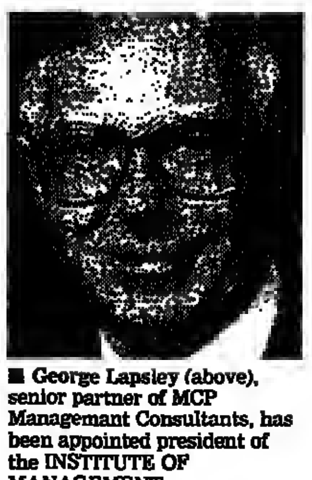
He also has the advantage of having worked in what Shanks & McEwan calls "a very closely allied industry". "They [Exxon] make the stuff and we destroy it," a company spokesman explains.

Both companies are also favourite targets of the green lobby – Exxon will long be associated with the Valdez disaster, while Rechem, acquired by Shanks & McEwan in 1991, has been under fire particularly at Pontypool, where it destroys toxic waste such as PCBs and dioxins.

Brown's appointment is not directly related to the Pollution Inspectorate's recent warning, in the course of its licence renewal, that Pontypool should improve the monitoring of its toxic emissions, according to Shanks. Instead, David Wheeler, the previous managing director of Shanks & McEwan (Environmental Services), which incorporates Rechem and the technical services division of Shanks, had felt he himself had enough operational experience, but his recently appointed successor, Mike Averill, wished to reintroduce the post.

Brown, 38, a chemical engineering graduate from Bath, who joined Exxon 16 years ago, will be in charge of Fawley and Pontypool, the high temperature incineration plants that are part of Rechem, as well as Stewarthy, Teesside and Tullos, all three part of the chemical treatment operation that comprise Shanks & McEwan technical services.

Bodies politic



■ George Lapsley (above), senior partner of MCP Managemant Consultants, has been appointed president of the INSTITUTE OF MANAGEMENT CONSULTANTS.

■ Peter Bradnock, previously executive director, has been appointed director general of the BRITISH POULTRY MEAT *FEDERATION*; *he succeeds* Peel Holroyd and is succeeded by Yvonne Sired who also remains executive secretary.

■ Tony Lancaster chairman and chief executive of GAN Minster Group, and Reg Brown, chairman, Octavian Syndicate Management, have been elected president and deputy president respectively of the INSURANCE *INSTITUTE OF LONDON, as* from October 4.

■ Roger Westwood, president of the Society of Pension Consultants, has been appointed chairman of the OCCUPATIONAL PENSION SCHEMES JOINT WORKING GROUP.

■ Graham Marriner, head of the telecommunications information group at the Post Office, has been elected chairman of the TELECOMMUNICATIONS MANAGERS ASSOCIATION.

■ Chris Harris, director of Marine Emergency Operations at the Department of Transport, has been selected, following an open competition, to be the chief executive of *the MARINE EMERGENCIES* ORGANISATION executive agency when it is established in April 1994.

Peter Allen retires early

Peter Allen, the deputy chairman of accountants Coopers & Lybrand, has announced his intention to retire from the firm in April next year when he will be 56.

His departure follows the decision by Brandon Gough, chairman of Coopers for the past ten years, to step down when his current term finishes in April 1994.

These moves clear the way for elections from among the partners for a new chairman, who will be able to select a fresh management team. The vote takes place in November.

Coopers says that Allen had told his partners earlier this year that he would be retiring and that he intends to take on a number of non-executive appointments.

He joined the firm in 1963 from university, became a partner in *1973* and *partner* in charge of the London office in 1983 before becoming managing partner in 1984.

He led a team that negotiated the merger with Deloitte Haskins & Sells in 1990 and after that became deputy chairman with responsibility for overseeing UK activities and acting as chairman of the management consultancy practice across Europe.

Other departures

■ Edward Low has retired from STAVELEY INDUSTRIES.

■ Hamish Inglis has retired from WATSON AND PHILIP.

■ Michael Carr, deputy chairman of GRESHAM TRUST, has retired.

■ Mike Walmsley has resigned as a director of J. BIBBY & SONS.

■ Graham Musson is leaving the BM GROUP; Graham Hall is resigning as a director of the group on completion of the disposal of BM Plant and Talbot Diesels.

■ Peter Mackenzie, a director of Sulzer (UK) and head of the textile machinery division, has retired.

هكذا من الاصل

The Proms

Sackman's 'Hawthorn'

Nicholas Sackman, the 43-year-old English composer, had this year his first commission for the BBC Proms. The result – a 25-minute piece for large orchestra entitled *Hawthorn* – was revealed in the Albert Hall last Thursday, in a concert by the BBC Symphony under Andrew Davis, and will surely have proved immensely gratifying to all concerned. Sackman's output is not large (Hawthorn is only his second orchestral encounter); he works out his material with spare, unwasteful concentration; his concerns are not at all those of current fashion (i.e. minimalist note-spinning of the Holy-Mystic or the Neo-Brutalist persuasions).

Hawthorn is an example of Sackman's tautly contained musical argument, yet it manifests an intensity gradually but ineluctably built up, a cumulative power that I have not experienced in his music before. This may have been the "release" provided by a large orchestra, or by the novel (Glyn Hughes's *The Hawthorn Goddess*) which supplied the work's initial inspiration.

Whatever the cause, the music – in a continuous three-part (fast-slow-fast) structure – states its terms with remarkable confidence in their potential, and a control of their dramatic unfolding that kept me intent on the progress of every note. Those terms, described in wildly oversimplified fashion, might be said to be the central opposition of crabbed, jabbing, harmonically complex chordal chunks, rhythmically charged in their groupings, against lyrical lines growing ever freer and lengthier. In the finale, after the ruminatively spacious slow movement has run its course, the argument snowballs to its expansively lyrical coda with an exhilaratingly unstoppable energy which one senses had been honestly earned.

The orchestral colouring is comparably rigorous, with no element of artificial ear-catching, yet similarly strong – punchily athletic brass, airily striding strings, everywhere a "personal" command of timbre and texture. If (as Sackman suggested in a laconic programme note) *Hawthorn* is indeed something of a dry run for a possible opera based on the same material, I hope our opera administrators are already battling it out for the honour of realising that possibility.

Under Davis, always a sympathetic, precisely commanding interpreter of complex new works, the BBC Symphony gave the impression of relishing Sackman's rugged contrasts – rather more so, indeed, than earlier they had the glitter of Prokofiev's First Violin Concerto. But though the accompaniment may have been bland, the solo part was delivered with a sensational blend of virtuosity, sophistication and purring sweetness: Maxim Vengerov, 19 years old, was making his Proms debut, in a way to cap even the most noteworthy of his previous London appearances.

Another of Davis's special gifts is 20th-century English music of an older and, on the face of it, less challenging character, to which he brings such sweeping conviction that every ounce of original freshness is recovered. On Sunday, with the BBC Symphony Chorus and Orchestra, he revealed this gift anew. Delius's *Sea Drift* had Thomas Allen as a mature, affecting baritone soloist; John Ireland's Piano Concerto showed Kathryn Stott in sparkling form; in Elgar's *The Music Makers* Jean Rigby's rich-hued mezzo was at once powerfully emotional and tenderly reticent. All three works are Proms warhorses, yet Davis allowed no hint of laxity or routine to spoil their latest appearance there.

Max Loppert

The Edinburgh Festival

Group at the Château de la Faloise, 1857, by Edouard-Denis Baldus

Past echoes of reality

William Packer catches the Gilman collection of photography

The Waking Dream is the one serious exhibition of visual art, of any sort, that this year the Edinburgh Festival acknowledges as part of itself. No matter that it comes fully fledged from the nest of the Metropolitan Museum of New York, and flies on to the Hermitage at St Petersburg for the winter: the Festival's engagement with the visual arts was ever thus – indifferent, opportunistic, conscience-free. And we, for our part, should simply be grateful that so many remarkable and wonderful images have been brought over for our delight.

The collection is the creature of Howard Gilman, present chairman of the paper company founded by his grandfather, who has concentrated his interest on photography's first 100 years, that is to say from the moment of its first practical demonstration by William Fox Talbot in the late 1830s up to the eve of the second world war. As a period it would seem to fit well enough, a nice round number that embraces all the principal technical developments, notably the progressive miniaturisation of the equipment and the ever-increasing ease and flexibility of its handling.

But perhaps such scope was, in the event, something of a snare and a delusion. The heart and substance of the show, and of the splendid book-cum-catalogue that goes with it, lie rather with the work of the first 60 or 70 years and its story of early experimentation, rapid maturity and sophistication and at last the conscious expressive potential achieved by the turn of the century. The 20th century is simply too rich a subject to warrant the afterthought allowed it here. Had the show ended at the first rather than the second war, the point would have been better made.

The point, to be fair, is half-acknowledged in the title of the show, which is taken from Keats's "Ode to a Nightingale" and worth the full quotation: "Was it a vision, or a waking dream?/ Fled is that music: – do I wake or sleep?" To catch the fleeting image on the wing, as picking notes out of the air, had always seemed quite beyond human reach. The note was played and was gone even as it was heard: and the thing seen? That too was gone or was changed even as it was seen, to be recalled only in its simulacrum.

The excitement at seeing those first shadowy, ghost-like echoes of reality appearing on the page may only be imagined, but it was real enough. Even now we may catch something of it, if only the faintest hint, not as excitement at all but in the poignant frisson of recognition we feel as we look again at those gentlemen, so studiedly negligent in their stovepipe hats, those women sitting in dappled sunshine on the lawn, that broom still leaning against the door.

It is the nicest irony that photography should have suffered ever since by the expectation raised at its very invention, that here was a mirror held up to nature. It was never, could never be, any such thing. The double-irony is that whatever it aspires, therefore, to the condition of art, its inherent and apparent realism is held against it, with affectation and self-indulgence summoned in aid. The truth of it is simple enough. Any fool can use a camera, or a pencil or brush for that matter. The camera is a tool available to the artist, with its peculiar virtues, limitations and disciplines to master and exploit. It is not its picking-up that makes him so but only the use he makes of it.

What makes so many of these early images so potent in their effect upon the imagination is that whatever else they might have been thinking of, the photographers were primarily engrossed in the mastery of their medium. There is to their work a quality of definition and deliberation that can only be a function of the equipment to hand, and the opportunities it afforded. With everything ready and the pose set, even the landscape seems to hold its breath. Does it matter whether Lady Hawarden, using her daughters and nieces as her models at home in South Kensington, or Horatio Ross out stalking on his Scottish estates, thought of themselves as artists or mere amateur technicians? The images they produced are manifest works of art.

Alice Liddell as The Beggar Maid, by Lewis Carroll (Charles Dodson), 1859

The much smaller exhibition, *Photographing Children*, hung low on the wall for the benefit of its young audience, contrives to ask many of the same questions of the photographers' attitudes and intentions. Its subject is the child, as photographed from the Edinburgh urchins of Hill and Adamson in the 1840s, through the conventional studio portraits and snapshots of the later Victorians to Roger Mayne's Gorbals urchins of the 1940s and so on to the documentary and reportage, of such as Iain Stewart, Francine Dunkley, Owen Logan and John Charity, of today.

The work throughout is wonderfully appealing, and yet it is a curious paradox that for all the technical advantages and freedoms enjoyed by the modern practitioners, their material seems less definitive and universal in its imagery, and more incidental, narrative and sentimental. Is it that just another exposure is, well, just another exposure? Is it that the taking of the photograph is now so easy that all effort and consideration is directed at the mis-en-scène? Or are we simply too close to them to say? Perhaps we are. And perhaps this present glossy professionalism in time will take on the qualities we find even in the vintage prints of the 1950s.

The Waking Dream: Photography's First Century: selections from the Gilman Paper Company Collection; City Art Centre, Edinburgh, until October 3. *Photographing Children*: Scottish National Portrait Gallery, 1 Queen Street, Edinburgh, until October 3; sponsored by EAE Communications.

Mark Morris: three of the best

The audience cheers Mark Morris's second Edinburgh programme even more than the first – as do I. It includes three pieces all new to Britain: the J.S. Bach *Jesu, meine Freude* (good), the Michelle Shocked-Rob Wasserman *Home* (better), and the Lou Harrison (best). As in Programme One, the live music is so excellent you could shut your eyes all evening and have a great time. But I imagine that most people, while leaving the Meadowbank Stadium at the evening's close, must feel mighty bewildered – as do I. Who *is* Mark Morris? How in the world can the same man make three pieces so unalike?

As everyone must know by now, Morris makes homosexual dance look as natural as hetero-; and in this respect he is a breakthrough choreographer. But *Jesu, meine Freude* shows another breakthrough side of him, lesser-known: that he means dance to express religious as well as secular conditions. It is very odd to see a dance set without irony to a Bach devotional cantata. Odd, because for over 16 centuries Christianity has been the religion most determined to divide flesh from spirit, and to make dance an irreligious and profane art. But here are 10 of Morris's dancers – dancers of various races, dancers with more flesh than you see in ballet, dancers linked in various AC/DC couplings – rapt in religious devotion.

As a dance, *Jesu meine Freude* is bright with internal variety. Passages of severe upper-body gestures (reflecting the rigours of religious contemplation) are opposed to sequences of fluent, travelling dance (suggesting the lyric transports of religious rapture). The former keep leading to, are the premise of, the latter; and both grow naturally out of the music. I do, however, detect a certain absence of spontaneity, a slight nearer-my-God-to-thee self-conscious holiness, in the movement style that keeps me from surrendering to this dance's spirit.

Home, by contrast, is a powerful and poetic piece of secular Americana. Set to music composed and performed by Michelle Shocked and Rob Wasserman, it consists of six sections. Numbers 2, 4 and 6 are country music, communal dances, bright-spirited affairs, in which men and women "clog" in leather shoes. Numbers 1, 3 and 5, however, are scenes for women without men, dark and bleak scenes of women in the agricultural mid-West, while Shocked sings with thrilling force of (no. 1, "I Need a Friend") loneliness, (no. 3, "Still-born") depression, and (no. 5, "Winter Wheat") impatience. As *Home* alternate between these two tones, it grows ever more moving: harsh and compassionate at the same time.

The evening ends with an extraordinary work, an utter knockout work, *Grand Duo*, a four-part dance for full company. (Its final section, *Polka*, was seen here last year; the rest is new.) The music is by Lou Harrison (b.1917), an American composer whose music Morris has used before; what music of his I have heard strikes me as so superb that I am amazed how seldom it is played here. This *Grand Duo for Violin and Piano*, though composed only five years ago, is vintage modernism: driving, fragmented, with elements of folk music thrown into its furious engines.

***Alastair Macaulay** wonders how the same man can make three pieces so unalike*

The tribal dance that Morris has made to this music is like the *Rite of Spring* you always wanted to see and never have. It is, at one and the same time, (a) a brilliant piece of primitivism, a pulsing vision of an archaic community, (b) a shocking portrait of neurological disturbance, an assembly of people seldom touching but united in violent and helpless gestures that need to be exorcised, their alarmingly frenetic energies emerging from deep within, (c) a work that shows people like cogs in a vast impersonal device, driven by machine rhythms.

Grand Duo is the most thrilling new dance I have seen for many a long month. It is, I believe, the greatest thing that Morris has made since the 1989 *Dido and Aeneas*; and, like that and other works of his, a masterpiece. Every praise to the dancers, who are the committed embodiment of Morris's grand design. Because of them, liking his dances is the easiest thing in the world. They make you fall in love again with dancing, dancing to music, dancing as instinct and life force.

Scottish Variety – the Fabulous Fifties

The Edinburgh Festival is resolutely elitist this year (nothing wrong with that, of course.) But it did throw up its skirts once – for performances of *Scottish Variety – the Fabulous Fifties.*

This was a recreation of the last days of the music hall, when all the Grands and Empires throughout the land still presented weekly variety bills consisting of rough comedians and twee sopranos, drag acts and dog acts. But the show at the King's Theatre was hardly a recreation. The theatre has changed little in 40 years. There is the red plush curtain; the brightly painted backdrops; the illuminated number board at the side to identify the acts; and, bless 'em, many of the old performers, Jimmy Logan, the Tiller Girls, and yes, even Susan Maughan, still hoofing it.

Time really was frozen. "Mr Happiness", Johnny Beattie, told jokes about seaside landladies and those idiots from Glasgow with impeccable timing; the Tiller Girls jack-knifed across the stage, smiles superglued; there was even another chance for that extinct art form, the Scottish sketch, with a Rangers fan converting to Celtic on his death bed so that the auld enemy would have one less supporter.

Of course you were reminded how awful much of it was – the 1950s must have been the worst decade for music this century – and some acts survived on routines that would make Bob Monkhouse blush. But it was clean and jolly and it really was variety. So what if the trampoliners muffed their climax; who cares if a Tiller tumbles; and tough luck that Susan Maughan is no longer "Bobby's Girl". The entertainers of the 1950s were at one with their audience and any snarling, expletive-ridden alternative comedian would have been silenced at last by this display of genuine folk art. He might even have risen and joined in the National Anthem at the end.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight: Iona Brown directs New Sinfonietta Amsterdam in works by Tippett, Bridge, Elgar, Bach and Corelli. Tomorrow: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Ketting, Stravinsky and Rimsky-Korsakov. Thurs: Leonid Grin conducts Hague Philharmonic Orchestra in all-Tchaikovsky programme, with cello soloist Tim Hugh. Fri: Lucia Aliberti sings Italian opera arias. Sun: Heinz Holliger conducts Junge Deutsche Philharmonie in works by Holliger, Veress and Schumann, with piano soloist Andras Schiff. Next Mon: Gerd van Nes song recital. Sep 4: Edo de Waart conducts Mahler's Second Symphony CBSO (24-hour information service 675 4411, ticket reservations 671 8345)

ANTWERP

An International festival of cathedral boys' choirs takes place this week in various historical churches (225 ...323). Borodin Trio plays works by Rakhmaninov and Tchaikovsky tomorrow at deSingel. A tableau vivant celebrating the 500th anniversary of the 16th century poet Anna Bijns can be seen on Fri, Sat and Sun at St Niklaaspleintje. Next Mon at deSingel: Mariss Jansons conducts Oslo Philharmonic Orchestra in works by Schnittke, Dvorak and Shostakovich (Antwerp 93: information from Grote Markt 29, B-2000 Antwerp, tel 03-226 9300; booking by telephone from Tele Ticket Service tel 070-233233 or in person at Fnac, Groenplaats, 2000 Antwerp)

ATHENS

Odeon of Herodes Atticus Thurs and Fri: State Theatre of Northern Greece presents Sophocles' Electra. Next Tues, Wed, Thurs: Zarzuela evening with Amadeo Vives Company. Sep 6-10: Cullberg Ballet (322 1459)

CHICAGO

RAVINIA FESTIVAL

Tonight: The Hitmakers. Tomorrow: Gospel night. Thurs: Franz-Paul Decker conducts Ravinia Festival Orchestra in works by Mozart and Richard Strauss. Fri: Spyro Gyra and the Brecker Brothers. Sat: John Lee Hooker and John Diamond. Sun: Viennese night. Next Mon: actor Christopher Plummer takes a personal stroll through literature. The festival runs till Sep 6 (Tel 312-728 4642 Fax 708-433 4582)

COPENHAGEN

Tivoli Tonight: orchestral concert featuring works by Svendsen, Nielsen, Elgar and others. Tomorrow: Marcello Viotti conducts concert performance of Verdi's Otello, with Corneliu Murgu, Renato Bruson and Nelly Miricioiu. Thurs: Copenhagen Wind Quintet. Sat: Beethoven Quartet of Rome plays works by Brahms, Mahler and Beethoven. Sep 7-12: New York City Ballet (3315 1012)

Royal Theatre Tonight: Il barbiere di Siviglia. Tomorrow: Carmen. Thurs, Fri, Sat, next Mon and Tues: John Neumeier's production of Prokofiev's ballet Romeo and Juliet (3314 1002)

LONDON

THEATRE

● Hysteria: Terry Johnson's new play about Freud, set in London in 1939. Phyllida Lloyd directs. Previews from Thurs, opens Sep 1 (Royal Court 071-730 1745)

● Time of My Life: Alan Ayckbourn's new bitter-sweet drama of middle-class family life in a northern city, with a cast led by Anton Rogers and Gwen Taylor (Vaudeville 071-836 9987)

● Much Ado About Nothing: Shakespeare's romantic comedy, starring Janet McTeer and Mark Rylance (Queens 071-494 5040)

● Inadmissable Evidence: John Osborne's 1964 play about the collapsing world of solicitor Bill Maitland, played by Trevor Eve. National Theatre repertory also includes The Madness of George III, Alan Bennett's award-winning history play starring Nigel Hawthorne, and The Mountain Giants, Pirandello's unfinished play about theatrical illusion, directed by William Gaskill (National 071-928 2252)

● Separate Tables: Peter Bowles and Patricia Hodge in Peter Hall's production of the Terence Rattigan double bill about hotel guests trying to come to terms with the ageing process and loneliness (Albery 071-867 1115)

● An Inspector Calls: West End transfer of acclaimed National Theatre production of J.B.Priestley's psychological thriller (Aldwych 071-836 6404)

MUSIC/DANCE

Royal Albert Hall BBC Proms: In tonight's concert, Mariss Jansons conducts the Oslo Philharmonic Orchestra in works by Soderlind, Bartok, Stravinsky and Dvorak, with viola soloist Yuri Bashmet. Tomorrow's early evening concert features the BBC Singers, Matrix Ensemble and trumpet soloist Hakan Hardenberger in works by Weill, Grosz and Zimmermann, followed at 22.00 by a programme of Monteverdi madrigals with The Consort of Musicke under Anthony Rooley. Thurs: Pinchas Zukerman is director and violin soloist with ECO. Fri: Witold Lutoslawski conducts British premiere of his Fourth Symphony. Sat: Barry Wordsworth conducts BBC Concert Orchestra in Berlioz, Tchaikovsky, Saint-Saens and Rimsky-Korsakov, with soprano Nancy Gustafson. Sun: Roger Norrington conducts Haydn's The Seasons. Mon afternoon: Raymond Leppard conducts BBCSO in Britten, Dohnanyi, Ravel and Tchaikovsky, with soprano Joan Rodgers. Mon and Tues evenings: Kurt Masur conducts Leipzig Gewandhaus Orchestra (071-589 8212)

South Bank Centre Tonight: Anglo-Chilean folk group Alianza. Tomorrow, Thurs, Fri, Sat: Caribbean Carnival extravaganza. Next week: Opera Factory presents premiere of Xenakis' The Bacchae (071-928 8800)

Sadler's Wells Daily till Sat: British Youth Opera presents La boheme and Le nozze di Figaro (071-278 8916)

Coliseum The 1993-4 ENO season, the first to be directed by the new team of Dennis Marks and Sian Edwards, opens on Thurs with a revival of Simon Boccanegra starring Gregory Yurisich and Janice Cairns. The opening week also includes performances of Kurt Weill's Street Scene, with Josephine Barstow and Lesley Garrett. The first new production is La boheme, first night Sep 15 (071-836 3161)

ROTTERDAM

De Doelen Tomorrow: Richard Dufallo conducts Rotterdam Philharmonic Orchestra in works by Brahms, Grieg and Bernstein, with piano soloist Alexander Lonquich. Next Mon: Heinz Holliger conducts Junge Deutsche Philharmonie in Holliger, Veress and Schumann, with piano soloist Andras Schiff. Sep 1: Arturo Tamayo conducts Rotterdam Philharmonic in Messiaen and Boulez (217 1717)

WASHINGTON

THEATRE

● The Kentucky Cycle: Robert Schenkkan's tale of three families who settle, feud and die for the hills and hollows of eastern Kentucky. The play, divided into two parts played on separate evenings, spans 200 years of American history, with a cast of 20 portraying 72 roles. Daily except Mon till Oct 23 (Kennedy Center Eisenhower Theater 202-467 4600)

● The Phantom of the Opera: Andrew Lloyd Webber's musical, directed by Harold Prince. Till Oct 2 (Kennedy Center Opera House 202-467 4800)

● Shadowlands: a love story by William Nicholson based on the life of C.S. Lewis and his American wife. Till Sep 5 (Olney Theater 301-924 2739)

● Kvetch: Steven Berkoff's comedy, till Sep 26 (Woolly Mammoth 202-393 3939)

MUSIC

Wolf Trap Tonight: Natalie Cole, R&B. Fri: Anne Murray, easy listening. Sat: NRBQ and Bodeans, rock'n'roll. Sun: Vince Gill, country. Next Tues: first of eight performances of Andrew Lloyd Webber's musical Jesus Christ Superstar. Sep 8, 9: Bob Dylan (1624 Trap Road, Vienna, Virginia, 703-218 6500)

Blues Alley Jazz Supperclub Thurs till Sun: Freddie Hubbard Quintet (1073 Wisconsin Ave, in the alley, 202-337 4141)

Merriweather Post Pavilion Tonight: Dance Theatre of Harlem, Paul Taylor Dance Company, Lar Lubovich. Thurs: Tom Jones. Sat: Steely Dan. Next Mon: Jethro Tull and Procol Harum. Sep 1: Tony Bennett and Count Basie Orchestra (301-982 1800)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

The chancellor's dilemma: an inside view

Don't borrow, charge

The theme of these articles has been that the state of the public finances is the central economic policy problem facing the government today. It is simply imprudent for the government to undertake spending which exceeds its revennes by a fifth. *Borrowing £50bn a year*, much of it from foreigners who may at any point decline to go on lending to us, is a risky strategy.

The problem has arisen partly because recessions are always bad for the public finances.

Elections are also bad news, as spending is increased and/or *taxes are cut in the* pre-election period. The combination is unusual – governments usually do their best to prevent elections and recessions from coinciding – and it has proved lethal.

The unexpected length of the recession, which meant that the election was repeatedly deferred while waiting for the *elusive upturn*, subjected the Treasury to two pre-election public spending rounds.

With the cards thus stacked in favour of spending ministers, public spending has, after three successive years of 4 per cent real growth, already risen by more under Mr Major than it did in the entire period in office of *Mrs (now Lady)* Thatcher.

The spending spree has coincided with a shortfall of revenue that has been intensified by the recession. Together these factors have created a *borrowing problem more* serious than that of the 1970s, the last time that the government borrowed on this scale.

Now, as was the case then, new borrowing is causing the *stock of debt to rise rapidly*. Then, however, incomes were rising even faster because of inflation. So the government's debt-to-income ratio, which is the key variable, actually fell. Today's low rate of inflation *means that the large borrowing requirement is pushing up* the government's debt-to-income ratio extremely quickly.

There is, fortunately, time to deal with the problem. Though the finances are deteriorating rapidly, they do so *from a very favourable* starting point. The government's debt was less than a third of the national income and is expected to rise to around a half. It can still be stabilised close to the level *that Mrs Thatcher inherited* from Labour, though that will require difficult decisions.

The problem is that any way out of the borrowing trap conflicts with other cherished objectives. Consider what the different options are:

Raise direct taxes? Hardly, because the Conservatives won a closely contested election by contrasting their own tax cutting record (and promises of further cuts) with Labour's shadow Budget, which pencilled in *higher* taxes to pay for more public spending.

Current high levels of public spending mean the only choice facing Clarke is between higher taxes now and higher taxes later

Increase indirect taxes? Less difficult politically, since a shift from direct to indirect taxes has been the thrust of Conservative tax policy since 1979. But putting up indirect taxes would raise inflation, and the underlying rate *is* already uncomfortably close to the government's new inflation target erected since Britain left the ERM.

Cut public spending? Too late to *implement* cuts in 1994-95, as the decisions have already been taken, but cuts in later years must be on the cards.

Confronted with these unpalatable choices it will be *very tempting* to do *nothing*, especially if the recovery improves the public finances. The do-nothing school will also draw comfort from the Bank of England's success in funding the deficit. So far the markets have absorbed the massive *flow* of new gilt issues without a tremor. Why risk disturbing a fragile recovery in the interests of reducing a large PSBR that isn't a problem?

The answer to these siren voices *is* that borrowing is a problem. If it is not tackled now, it is hard to see when it ever will be. The fact that the debt is being sold relatively easily is little comfort. It is not hard to sell debt on a coupon *of nearly* 8 *per cent* when headline inflation stands at 1 per cent and the government is aiming to keep underlying inflation in the lower half of a 1-4 per cent band. The debt sales achieved this year are better than a funding crisis, but they also constitute a millstone round the neck of the taxpayer.

The interest charges on £50bn of debt at 8 per cent come to £4bn per annum for the foreseeable future – 2 per cent on the income tax rate, with all the adversa effects on incentives that entails and no public spending to show for it. And next year's borrowing will add another 1½ per cent, with more to come in later years.

Mr Clarke will find, like all borrowers that the longer he delays the correction, the bigger the problem be faces.

The brutal fact is that, with public spending at these levels, the only choice facing Mr Clarke is between higher taxes now *and* higher taxes later.

Being an astute politician he may prefer to face up to the problem now, with the next election still some way off, rather than be forced into *unwelcome* action nearer to polling day. He may also reckon that putting up taxes in the coming Budget will make it politically easier to secure the necessary reductions in public spending next year.

I say reductions in spending, rather than cuts, because (as I argued in an earlier article) nobody wants to see lower standards of public provision. But if borrowing must be reduced and cuts are ruled out, the only alternative to putting up taxes is to introduce charges. This is a big political step, but the size of the problem, and the obstacles in the way of conventional solutions, calls for radical action.

There is no shortage of good ideas.

The government has already moved in the right direction on roads. The private finance initiative will bring new private funding in to road building, attracted by the prospect of making a commercial return on capital in the new world in which road users will pay for the use of premium roads.

The crisis over the provision of university places for all those who achieve adequate grades would be quickly solved by making students bear some proportion of the fees, as happens in many other countries.

The quiet revolution in dentistry, where much of the work is now cosmetic and undertaken privately, points the way to the introduction of charges, for those who can afford it, for other health services. The "hotel charge" for hospital patients is one obvious example.

Mr Clarke has a reputation *as a courageous politician*, unafraid of tough decisions.

He has said his instincts are tax-cutting instincts, but he is not instinctively hostile, as some on the right are, to public spending. As a man of the "hard centre", he should seize his opportunity to steer a new middle course: maintain the standards of public provision but make those who can afford to pay for it do so.

Bill Robinson

The author is a former director of the Institute for Fiscal Studies and served as a special adviser to the former chancellor, Mr Norman Lamont

LETTERS TO THE EDITOR

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Wind farms generate storm

David Lascelles' article on the future of wind energy, published on August 19, provoked a large number of letters, both for and against the development of wind power. Here is a selection.

From Dr Michael Grubb.

Sir, In his article "An ill wind of change" (August 19), David Lascelles states that wind energy is "not a subject of rational discourse". It is a pity that one of the FT's finest writers then demonstrates this by raising five objections to wind power that betray a depressing misunderstanding of the issues involved.

Two of his five arguments are that the UK has no need for additional generating capacity and that the existing resource base gives little value to diversity. Both are true for the next 10-20 years; both are grounds for not building *any* additional capacity; both are arguments that have been consistently rejected by governments and many others in the support of nuclear power because they are too short term.

On the timescale that it takes to develop substantial capacity of any non-fossil source, current plant capacity will be outstripped. North Sea oil and gas production will decline, as will the availability of low-cost UK coal. And the outlook for imported oil and gas prices at least will become increasingly volatile.

Mr Lascelles' third argument, that wind's variability is an important objection, is plain wrong. Variations in wind output cause far fewer operational problems than the tripping of a single main power generating set. Like an investment portfolio, what matters is the correlation of a new input with other variations on the power system.

In fact wind energy is well matched to demand on a seasonable basis and many technical studies have shown the short-term variability, at the levels being considered over the next two decades, to be economically irrelevant.

The statement that wind energy is environmentally insignificant because its contribution will be very small is true for this decade. But in the longer term, "10 per cent of electricity" is neither small nor an ultimate limit, and its environmental benefit will be proportionately much larger because it will displace the dirtiest marginal plant on the system. It could easily displace 20-40 per cent of power system sulphur dioxide emissions, for example.

Resource estimatas are largely subjective, but obtaining 10 per cent of electricity from the wind would require wind turbines to be a significant landscape feature in about 1 per cent of the UK, not allowing for any possible offshore siting. The acceptability of that is subjective, but public opinion surveys in areas that have wind farms reveal a large majority in support.

Which leaves us with the economics. Current wind farms are certainly more costly than power from new gas stations at current prices, or existing coal stations.

But with the costs falling steadily as this nascent industry becomes a big business, it is likely to be competitive if gas prices rise and against new coal or nuclear stations.

The central point is that new energy industries cannot be created overnight. The government has created a system of phased supports to reflect indirect costs of conventional production and to help the early stages of an industry that is likely to be an important component of sustainable energy supplies.

As part of a major project on renewable energy strategies, I at least have been led to the conclusion that it is a remarkably rational and valuable policy.

Michael Grubb,
head, energy and environmental programme,
Royal Institute of International Affairs,
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London SW1Y 4LE

From Dr I D Mays, Dr D Lindley and Mr M Trinnick.

Sir, Anybody reading David Lascelles' article on wind farms can be in no doubt about his personal views on the development of wind energy. Regrettably, he rests his case largely on the basis of erroneous information.

He claims that the recent decision to allow construction of a wind farm at Four Burrows in Cornwall is the fourth instance where the environment secretary has pushed through a wind farm against the wishes of people who live nearby. This is quite wrong. The other three projects referred to the secretary of state – Ovenden Moor, Kirby Moor and Cemmaes – were approved by local planning committees. The government decided that a wider examination in public should be undertaken.

At Four Burrows the inquiry ensued when the planning committee rejected the advice of its professional planning officers to grant permission.

The technology is certainly not, as Mr Lascelles argues "a long way from commercial operation". Let us be clear on energy costs. On sites having only a modest wind speed, the cost of wind-generated electricity over a typical 20-year plant life is about 6.5p per unit, and is coming down. On windier sites such as are found in parts of Scotland, the price can be substantially lower. Comparing this, on the same accounting basis, with the prices for electricity from new conventional power stations, we have coal at about 4.5p/unit, combined cycle gas at 3.6p/unit and nuclear at at least 7p/unit.

As things are at present, wind is not the cheapest. But the costs quoted here for conventional power projects do not include the external environmental and social costs that they incur. Evidence presented to the Commons energy committee last year showed that external costs added about 0.75p/unit for combined cycle gas and 2p/unit for coal and nuclear. Wind, which requires no fuel to be won or transported, produces no carbon dioxide or other atmospheric pollution and has no legacy for future generations. It does not suffer from the associated external costs. It is competitive with coal and cheaper than nuclear.

Mr Lascelles seeks to belittle the significant contribution that wind energy can make to our energy needs. The UK has vast wind assets, almost half Europe's wind resource. This is equivalent to more than double our current electricity demand. Taking account of its fluctuating nature, siting constraints, and integrating it into a practical and flexible system it is reasonable to expect that wind energy could supply 10-20 per cent of our electricity early in the next century and provide valuable diversity of supply.

And what of land usage? To generate 10 per cent of our electricity from the wind would require wind farms extending over 1,200 sq km (not 4,000). This is only 0.5 per cent of the UK land area, and because wind turbines occupy less than 1 per cent of the area in which they are sited, the actual land usage would be only 12 sq km. In the other 1,188 sq km, cows could still safely graze and crops ripen around and below the turbines.

Of course, the main environmental advantage of wind is that it is a clean energy source. Were the policy, planning and regulatory frameworks to allow us to achieve the 10 per cent tomorrow, the immediate benefit would be to avoid pumping 30m tonnes of carbon dioxide, 30,000 tonnes of sulphur dioxide and 60,000 tonnes of nitrous oxide into the atmosphere each year and without the long-term safety commitment the nuclear industry has yet to face.

Mr Lascelles might not like wind farms, but the evidence of independent public opinion surveys shows that less than 10 per cent of the general public, including those living around wind farms, do not like them. The substantial majority are in favour.

What they are not is uneconomic or unnecessary.

I D Mays,
D Lindley,
M Trinnick,
British Wind Energy Association,
Eaton Court,
Maylands Avenue,
Hemel Hempstead,
Herts HP2 7TR

From the Rt Hon David Howell, MP.

Sir, David Lascelles is quite right about wind farms. They are environmentally menacing while making not the slightest sense in energy terms. Even at the height of the oil crisis in the early 1980s, when I was energy secretary, I was never shown any evidence that wind power could become a remotely economic source of electricity.

Why the government should now be approving these intrusive and moaning monstrosities in some of the most beautiful areas of our country I cannot understand. Cornwall and mid-Wales have already been scarred. Now there is a threat to dot these tall structures along the hills either side of the Upper Wye Valley.

I hope that on both environmental and energy policy grounds the government will withdraw its encouragement for any more of this desecration and waste. If we must have huge wind farms at all, they should be sited on the less attractive parts of our shoreline.

David Howell, MP,
House of Commons,
London SW1A 0AA

From Mr Roy R Martindale.

Sir, May I congratulate David Lascelles on his most objective article on wind power.

As he indicates, it would take thousands of wind generators to replace one large power station, and the capital costs involved clearly favour more traditional generating methods. However, I would point out that the economic argument against wind generation is even worse than that set out in the article.

In the UK, the highest levels of electricity demand can arise when there is a settled high-pressure weather pattern in mid-winter, producing sustained low temperatures. Such conditions provide little wind at times of greatest need.

Consequently, wind generation requires backup alternative generating capacity to avoid a shortfall in supply. The cost of this duplicate capacity constitutes an additional subsidy to wind generation. It also poses the question, why does one need two generating systems when one reliable one will do?

Roy R Martindale,
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Companies still weighed down by burden of tax regulations

From Mr Malcolm Bacchus.

Sir, According to your article on deregulation and the Department of Trade and Industry ("Heseltine's crusade progresses in silence", August 20), Tim Sainsbury, UK industry minister, believes the message of deregulation has been "received and understood" and co-operation with other departments is "getting better".

The members of the London Society of Chartered Accountants would beg to differ. From the perspective of our clients, while the government looks at a large number of petty regulations, it is failing miserably to tackle the largest burdens of them all – the tax and accounting regulations.

The Manchester Business School in 1991 estimated that an average business spent 20 per cent of its pre-tax profits dealing with company and tax regulations. This percentage would have been higher for smaller businesses which make up the majority of British industry. Since then, of course, the recession has turned many profits into losses but the red tape has not stopped rolling.

The recently approved Finance Act, for example, was the second longest ever at 300 pages. It introduced no fundamental changes but dealt with so many issues in such technicality that all but the largest companies will be forced to turn to their tax advisers for more help. Many companies will be required to change their accounting or tax software to cope, and almost all companies will find the time they spend on tax administration increasing still further. Pay-and-file, another recent piece of tax legislation, is also adding heavily to that administrative effort.

Before we are convinced that the message of deregulation has been received, let us see some positive co-operation between the Treasury (with the various tax authorities) and the DTI. Let us see all legislation evaluated for its cost/benefits and a massive reduction in the tax and accounting trivia inflicted on us.

Malcolm Bacchus,
chairman,
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Raise status of vocational training

From Dr D P Smith.

Sir, While I agree wholeheartedly with the views expressed by Mr J E Troth regarding the stigma of the work-based vocational route for 16-year-olds ("Training on job needs better image", August 18), I would suggest that there are two main obstacles to progress.

The first is the absurdity in which schools get a full year's money for each pupil entering sixth form, even if the pupil leaves after a few weeks; the second, a careers service that is both under-resourced and falls under the quasi-political control of the local education authorities which still control most schools.

One solution would be to make the careers service independent and give each 16-year-old a training credit (as advocated by the Confederation of British Industry), which could be used to pay for training at school, college or via youth training with an employer who offers a full-time job from day one. Payment would be made only on the achievement of results.

Real progress towards giving 16-year-olds a genuine choice will be made only when we have a combined department of education and training that puts equal value on all post-16 education and training.

D P Smith,
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FDA should accept performance pay

From Mr Peter M Brown.

Sir, While welcoming the Treasury's offer to extend performance pay rather than automatic annual increments to First Division Association (FDA) civil servants, we were astonished to see the association claiming that actual pay rises for their members would be 1.25 per cent as increments were self-financing.

In a recession, when recruitment is reduced and promotion delayed, incremental salary systems are bound to add a higher than normal percentage to payroll costs.

It is partly for this reason that our hospital clients are examining alternatives to the Whitley Council scales, which have resulted in 4 per cent increases in payroll costs in a year with a 1.5 per cent pay limit. Only the 1.5 per cent is taken into account when health authorities and others are negotiating treatment rates, which may help to explain the financing crisis in so many hospitals.

Although easy to operate, incremental systems have had their day through their automatic awards for long service but often marginal performance.

I hope the FDA will not only accept the Treasury's offer but champion, more actively, reward systems that allow the opportunity to earn higher discretionary rewards.

The recent Top Salaries Review Body Report highlights the increasing and serious differential between top public and private pay. If automatic increments were dropped in favour of evaluated performance increases the nation could probably be much more willing to accept a significant increase in top civil servants, judges, and, incidentally, MPs' basic pay.

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FINANCIAL TIMES

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Mr Clarke's challenge

KENNETH CLARKE was chancellor of the exchequer in waiting long before he became chancellor. He may already be regretting his temerity. By now he should be painfully aware that there are two kinds of chancellor: good ones and popular ones. The first unified budget, due in November, should make rather clearer what sort of chancellor Mr Clarke will be.

If a responsible chancellor is to be popular, he must be very lucky. Mr Clarke has had some luck. He inherits an economy that is not only on the mend, but enjoys low inflation by British standards. Even the Bank of England accepts that underlying inflation is likely to remain within the government's target range of 1 to 4 per cent over the next two years.

It is rare for anything in life to come unalloyed and Mr Clarke's luck is no exception. He also inherited a public sector borrowing requirement estimated by the Treasury at £50bn, or 9 per cent of gross domestic product (excluding privatisation proceeds), for this financial year. Mr Clarke's parliamentary colleagues tell him in response either that he must not cut public spending or that he must not raise taxes. Meanwhile, respectable economists tell him that the fiscal deficit is either mostly cyclical or that it does not matter very much. He is, in short, being told to hope for the best. This might seem sensible. It would, in fact, be rash.

Absurd practice

The unified budget brings Mr Clarke several important advantages in his attempt to deal with the challenge: it allows him to make explicit the trade-off between spending cuts and tax increases; it should also persuade even Keynesian economists that the lag between the announcement of measures and the beginning of the succeeding financial year renders fiscal fine-tuning unrealistic; most important of all, it can be used to justify a new level of openness.

To his credit, Mr Clarke has already abandoned the absurd pre-budget practice of "purdah". What has not changed is the secretive way in which tax changes are decided. The Treasury still insists on its unchallenged control over economic strategy. Unfortunately, an institution's authority depends on its performance.

Consent is no longer given unquestioningly to what chancellors propose, even on the Tory back benches. It has to be earned. If, as seems probable, Mr Clarke decides on further tax increases, that will prove rather difficult. What the chancellor needs to do well before the budget therefore is to set out the situation, the prospects and the options, as the Treasury sees them. At worst, the opposing factions may then exhaust themselves in internecine debate. At best, someone may come up with valuable ideas on spending or taxation that the Treasury has not thought of.

Stable environment

Transparency is the first requirement. It is particularly important when policy is purely discretionary. Moreover, there is also an excellent chance of securing long-term growth in the British economy. A second requirement, therefore, is clarity about the underlying principles for economic policy. One of those should be provision of a stable macroeconomic environment, with low inflation not merely secured but actively pursued. Another should be further rebalancing of monetary and fiscal policy.

For reasons expounded by Mr Lamont's former adviser, Bill Robinson, in his articles for the FT, further action to reduce the budget deficit will almost certainly be required. Once that is accepted, it makes no sense to postpone the adjustment, especially when its adverse macroeconomic effects can always be offset by monetary easing. Furthermore, the sterling exchange rate, this month's dissolution of the ERM and the low growth of broad money all suggest that such easing is already both desirable and justifiable.

This leaves the chancellor the question of how precisely to go about cutting the deficit. Mr Clarke's desire is to preserve current spending plans, which means higher taxes. In the long term that is probably the wrong option, but in the short term there may be little alternative. Either way, choices have to be made. If he decides to avoid them instead, Mr Clarke is likely to go down as just another temporarily popular, bad chancellor.

The choice that Russia needs

"YELTSIN HEADS for showdown with Congress," proclaimed an FT headline just after Russia's president had won a convincing endorsement in last April's referendum. Four months on, the showdown is still awaited. Mr Boris Yeltsin and his parliamentary opponents continue their war of laws, decrees and corruption charges. His government is paralysed by faction-fighting. Power and money seep away from the centre to the regions, economic output declines, and Russians sink further into cynicism about their rulers. Without a decisive move to break these logjams, the point can not be far off when political drift turns into serious political danger.

Now President Yeltsin says he is at last about to make such a move: he plans to outflank congressional diehards by forcing early parliamentary elections this autumn. Congress will be asked to dissolve itself in order to allow the creation of a new assembly. If, as seems certain, it refuses, Mr Yeltsin will press ahead anyway. In one bound, he will be free to govern as mandated: reform will be back on course; and a new parliament empowered to join in the creation of a more stable constitutional order.

It would clearly be beneficial, both for Mr Yeltsin and for the cause of reform, to get rid of a parliament that dates back to communism and which has consistently passed Soviet-era legislation – most recently a budget that amounts to a recipe for hyperinflation and a law that attempts to halt Russia's privatisation programme.

Ample opportunities

But there are several problems with that optimistic scenario. One is that we have heard it too many times before. In the two years since he led Russia from the wreckage of the former Soviet Union, Mr Yeltsin has had ample opportunities either to reform or defeat the parliament, notably immediately after the dissolution of the USSR. On each occasion, he has ducked, weaved and temporised, allowing his opponents time to counter-attack.

A second difficulty is posed by the effort to create a new constitution out of the old. The present constitution is a hopeless mess: it has been amended so many times by the current parliament as to be unrecognisable, and can now be used by Mr Yeltsin's opponents to mean almost whatever they want it to mean. Creating a new one confronted Mr Yeltsin with a near-impossible dilemma. To get away with violating the law in pursuit of a better one, he needed to shore up his power base in Moscow and build a coalition of regional and republican leaders that would support him in his confrontation with parliament. This he has been trying to do over the past four months – but at the cost of a devolution of powers to the republics and regions that, if continued, would call in question the very survival of the Russian federation. As a result, he is so weakened that his latest manoeuvre seems more likely to deepen the confusion than to advance democracy.

Policy stalemate

This points to the third, and most important, difficulty for those – like the Group of Seven – who have pinned their hopes for reform on Mr Yeltsin: on the evidence of recent months, he seems most unlikely to deliver. It is now abundantly clear that Russia's policy stalemate is not simply a matter of president versus parliament, or reformist ministers versus recalcitrant central bank; it is a paralysis at the heart of the cabinet and presidential entourage. The cabinet is both divided and incompetent, as shown by the rouble reform fiasco last month; the reformers who once, briefly, seemed to act as a government within the government are fighting among themselves; and Mr Yeltsin seems powerless, or unwilling, to inject greater coherence into the business of government that goes on in his name.

It is hard to see how a few more months of parliamentary electioneering alone will resolve that problem. If there are to be elections, they would more sensibly be for both parliament and president. Such a contest would give Mr Yeltsin – still held in some esteem around the country – a chance to spell out what he stands for. If he did so with sufficient vigour and clarity he would have a good chance of being re-elected. If not, the alternative would not necessarily be a disaster.

RJR Nabisco has cut its debts, but can it compete as a single group in the world of snacks and cigarettes, asks **Nikki Tait**

Cookies offer food for thought

To lose a chairman may be regarded as a misfortune; to lose a finance director as well looks like carelessness. For RJR Nabisco, the US-based food and tobacco group – best known for its Camel cigarettes and Oreo 'cookies' – this year's calamities do not stop there. Over the same period it has seen its most profitable business, US cigarettes, wracked by a price war, and has been forced to abandon an ambitious $1.5bn special shares offering. It has watched its share price dip to $5½, less than half the level at which it was sold to investors two years ago.

The long list of problems have raised the question again of whether the company should be split between food and tobacco groups. In the wake of the aborted $1.5bn "food share" issue this summer, which would have been tied to the performance of the Nabisco food division, a typical stockbroker's report commented: "This represents one more thing gone wrong and one more reason to avoid the stock."

The only person who seems publicly relaxed is the new chairman, Charles 'Mike' Harper. "I don't know that we're in a bind," he remarked cheerfully. "It's a whole wide wonderful world out there."

But even Mr Harper would not deny that today's grim reality is far removed from the promises made in 1989 when RJR Nabisco was the subject of a record-breaking $25bn bid masterminded by the financier Mr Henry Kravis, co-founder of Kohlberg Kravis, Roberts, the New York-based leveraged buy-out specialist.

Then, the bidders talked about streamlining; about the disciplines which a heavy debt burden would impose on management; about the merit of shedding corporate "fat", such as private jets, and investing long-term to build brands.

When the bid battle ended in victory for Kohlberg Kravis, Roberts, the financial world held its breath. It was the biggest buy-out in corporate history and marked the zenith of the feverish period of leveraged deals in the 1980s, when takeovers were funded by innovative debt instruments such as junk bonds.

Today, the widespread view on Wall Street is that RJR Nabisco has avoided many of the financial problems which have beset smaller leveraged deals. Companies ranging from Federated Department Stores to Trans World Airlines found that once recession struck, operating profits were insufficient to meet debt payments and had to file for protection under Chapter 11 of the bankruptcy code.

Operating cash flow at RJR Nabisco has been sufficient to meet debt repayment demands, and about half the total acquisition debt of close to $30bn has been paid off. The large US credit-rating agencies, such as Moody's and Standard & Poor's, moved the company up from junk bond to investment grade status last year, thus confirming its financial health.

The reduction in borrowings was helped by a programme of disposals which, although not trouble-free, was completed largely as planned. The main elements were the sale of RJR Nabisco's European snack and biscuit companies to BSN, the French food group, and the disposal of Del Monte, the fresh and canned fruits business. More than $6bn has flowed in from these sales.

But while the balance sheet has steadily improved, progress in terms of industrial strategy has been less satisfactory. On the tobacco side, RJR was struggling to demonstrate any sustained sales or profits advance in its single most important domestic business, long before rival cigarette marker, Philip Morris, slashed the price of its Marlboro' brand and brought a simmering price war to boiling point.

Domestic tobacco is critical to RJR Nabisco's fortunes in the short term, accounting for about 60 per cent of group operating profit. RJR's two main full-priced brands – Winston and Salem – lost market share in the early 1990s as discount brands grew in popularity. Only Camel, a smaller brand, made progress on the back of a successful, if controversial, Old Joe Camel advertising campaign which critics claimed enticed children to smoke.

Recently, RJR redirected its attention to the discount end of the US cigarette market, and its total market share improved. But the gain was largely at the lower-margin end of the sector, so while sales rose 5 per cent to $6.16bn last year, operating profits for the domestic tobacco division declined by 8 per cent to $1.7bn in the 1992 calendar year.

The food side has struggled for different reasons. Shorn of its main international interests, Nabisco became heavily dependent on the US domestic market. But recession and the squeeze by retailers' own-label products on branded goods suppliers have meant that profits improvements had to be clawed out of cost-savings and productivity gains. In 1992, food sales were flat in North America, and the division's "business unit contribution" – core operating profits ahead of asset sale proceeds – rose only 3 per cent.

Such was the state of the company when Mr Lou Gerstner, RJR Nabisco's chairman since the 1989 bid, departed to run International Business Machines in April. His departure proved tough for the company to handle. Seeking to minimise disruption – and knowing that the sensitive "food share" issue was in the pipeline – RJR Nabisco announced that two other members of Mr Gerstner's small head office team would become co-chairmen and chief executive officers.

At the company's annual meeting just days after Mr Gerstner left, Mr Lawrence Ricciardi, general counsel, and Mr Karl von der Heyden, finance director, performed a polished double-act. But the carefully-engineered harmony was disrupted two months later when Mr Harper arrived. Although many observers had suspected that the two-man chairmanship would prove temporary, the impression of a well-organised handover had been marred by Mr Ricciardi's earlier insistence that the dual arrangement was not short term, and Mr von der Heyden's resignation when the appointment of Mr Harper was announced.

He is no stranger to the rough-and-tumble of the US food industry. In the early 1970s, he quit Pillsbury (now owned by the UK's Grand Metropolitan) when it sold the poultry business which he headed. He moved on to run ConAgra, then a commodity-based business which had just lost large sums on the futures markets and was close to collapse. Slowly, Mr Harper started to buy up packaged food operations which other companies had rejected – including several from RJR Nabisco. Today, ConAgra brands include Wesson cooking oil, Hunt's ketchup, Armour meats and La Choy chinese foods.

But it was Mr Harper's move, in 1985, into "healthy packaged foods" that really made his name in the industry. He apparently conceived the idea while in hospital recovering from a heart attack. After his release he set about developing ConAgra's Healthy Choice line of frozen entrées. The products were a big success. ConAgra's fortunes blossomed, and Mr Harper became one of the food sector's most respected executives, despite the entry of rivals into the business.

Today, as boss of RJR Nabisco, he is quick to draw parallels between the company and the ConAgra of the 1970s. "There are lots of ways to make money," he says, "and there is no magic in increasing earnings per share.

"With ConAgra, we started with a debt-to-equity ratio of six to one. Over a period of time, and by doing a few little things very well, we focused on increasing value from a shareholders' point-of-view. And that came down to getting good returns from any new capital that we put into the company."

What, in the context of RJR, might these "little things" be? Mr Harper is loathe to discuss specifics, but outlines a few possibilities.

First, acquisitions will be a priority. "We intend to pursue opportunities – food and tobacco. Or it could be something else. I'm not going to commit myself to saying that it would be *only* food and tobacco."

This presupposes that both divisions remain under the same corporate roof. It was widely assumed that RJR Nabisco only attempted the complex "food share" issue because of the immense legal obstacles of a full demerger. Bond holders and litigants in tobacco liability lawsuits would have been unhappy in any case, while complicated debt covenants might have to be bought off. In the wake of the aborted stock offer, speculation that RJR Nabisco is reconsidering this possibility has mounted, however.

Mr Harper is non-commital: "Anything that's moral, ethical and legal will be done, but it would be inappropriate to speculate on any particular possibility."

On the food side, Nabisco has been trying to rebuild its international operations via a handful of fairly modest deals, centred largely on Latin America. This, says Mr Harper, will continue.

"I think the food division will continue to build on that base, and that's very logical. We don't want to get into a no-growth business in a slow-growth economy. That might suggest that in certain parts of Europe it could be difficult to find businesses. But I don't care where we find them, so long as they are growth vehicles and can be purchased at a price which will give us a darned good return."

Second, product innovation will be important. Mr Harper is quick to attack the widespread notion that RJR Nabisco has been tardy in introducing new brands. "I think the food managers have done a pretty good job of product development. They've brought out a great line of snacks, and now they're coming out with potato chips that have half the fat. These have never been near a deep-fat fryer, and they taste tremendously good." Mr Harper points out that 10 per cent of sales come from products brought to market in the past two years.

Third, fresh management objectives are being set. "The company has focused for a long time on the balance sheet – and thank goodness for that. Now the focus is changing. Sure, there are going to be some more financings. But the focus of management is to make more money. It's a natural shift at this point in time.

"So there will be goals, there will be standards, there will be financial objectives. We will establish those; we will expect results."

But if a steady rebuilding of RJR Nabisco – with emphasis on the food side – is Mr Harper's aim, does the company have enough resources to pursue it effectively? One drawback is that while many food industry competitors can concentrate on that sector alone, RJR Nabisco has the uncertain cost of a cigarette price-war to contend with, plus a still-substantial debt burden. Moreover, its lowly share price and the withdrawal of the "food stock" issue suggest that new equity financing may be out of the question for a while.

The answer, say some observers, lies in basic mathematics. The company is reckoned to generate "free cash-flow" – profits flowing into the company with depreciation costs added back – of just over $4bn a year. About $2.9bn is needed annually to pay interest on the debt, taxes and for planned capital expenditures. This leaves about $1.2bn annually to pay off debt and to fund acquisitions.

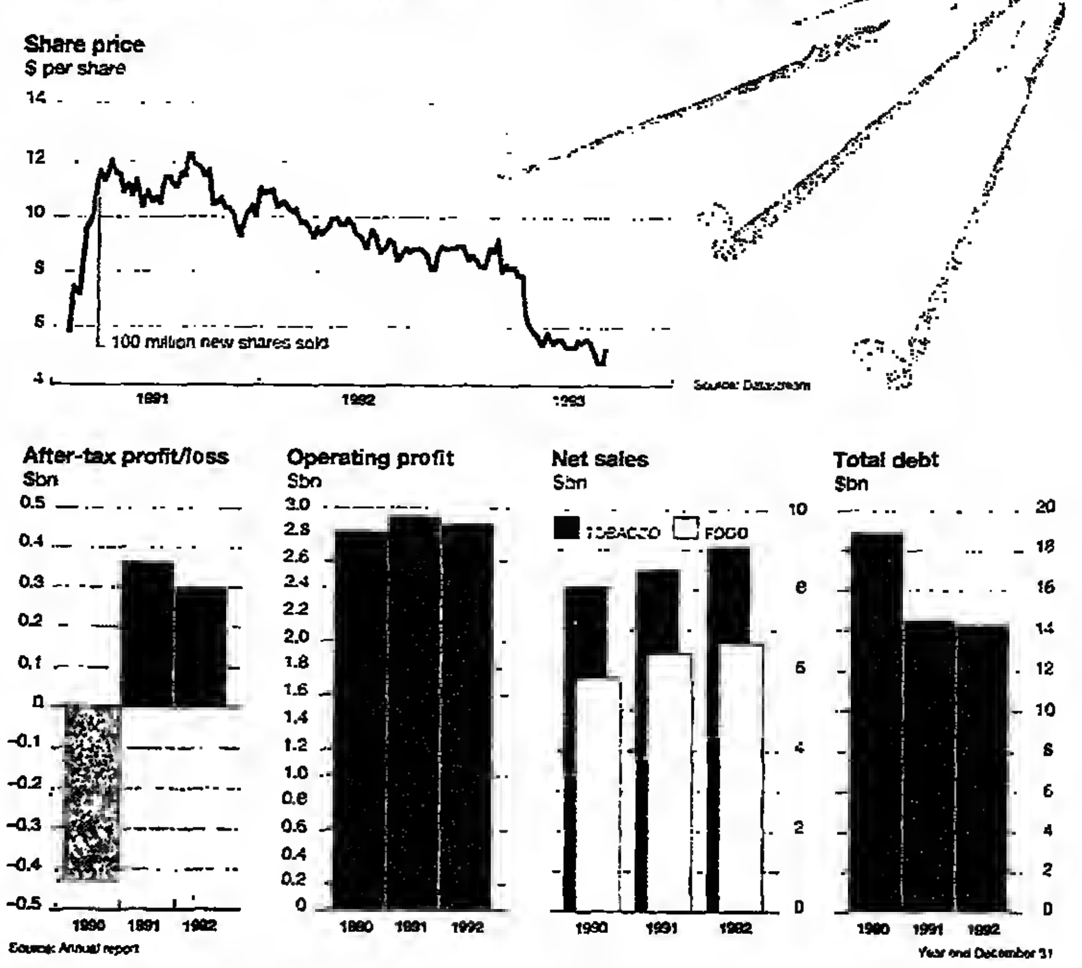
How much of this balance will be consumed by the cigarette price-war is unknown; "several hundred million" is the vague consensus on Wall Street. Future debt maturities, meanwhile, are reckoned to be "fairly modest at an average of $200m annually over the next few years", according to Fitch, the debt-rating agency.

So are the company's resources enough to juggle acquisition spending with product development demands and marketing requirements? "Live with it?" Mr Harper says. "We can be aggressive with it.

"Even with this price-war in cigarettes, we have substantial cash-flow. Relative to interest, it is very good, and even after the great reduction in the operating income from tobacco, it is still very good. Some food people would think they'd died and gone to heaven."

RJR Nabisco's shareholders, however, may feel that heaven is a little way off. Partly as a result of the cigarette price war, many industry watchers predict a fall in after-tax profits this year; some suggest that it may even be uphill work to show any recovery in 1994. Not least of those concerned is Kohlber Kravis, Roberts, which still holds a controlling interest in the company. Three years after the takeover, RJR Nabisco's management is increasingly being measured by its ability to deliver in the real world of biscuits, nuts, crackers and cigarettes, not by its skill in handling a balance sheet, slashing costs or shuffling assets. On that score, Mr Harper would seem to have his plate full. Mr Kravis can only join other investors in hoping Mr Harper's optimism is well-founded.

RJR Nabisco Holdings: plateful of possibilities



OBSERVER

Bullish influence

■ No wonder former countries of the Soviet Union are keen to hear from Pope John Paul II. The mere mention of a papal visit seems to work miracles for the exchange rate of the country in question, judging by Lithuania's experience.

Ever since word leaked out that the Pope was planning to visit the Baltic state in September, Lithuanian's currency, the litas, has soared. Last month, the rate was five to the dollar; now the going rate is 2.8 litas to the dollar. Demand for the currency is based on expectations that foreign visitors flocking to Lithuania to see His Holiness will lead to a glut of hard currency.

If this scenario proves correct, then the Vatican can expect an early call from the Ukraine. According to Morgan Stanley, Ukraine's karbovanetz has fallen by 90 per cent against the dollar since December.

Sporting chancer

■ Would you run a mile for a burger? No, neither would Observer. But Steve Cram is hoping that his athletic exploits will inspire fast food fans to cram into Heroes of Sport, a chain of family restaurants he is about to launch. Hard on the heels of the Hard Rock Café and Planet Hollywood, Cram's cafés will feature sporting memorabilia, rather than the film and pop souvenirs normally associated with such places.

While Cram eventually plans to satisfy the appetites of Manchester, Birmingham, Sheffield, Coventry and central London, his first venue will open in Newport, south Wales, in October. Let's hope it proves more successful than Newport County Football Club which went belly-up and dropped out of the league in 1988.

Little by little

■ If Tarmac does press the button and have its rumoured rights issue soon, will the company mark the occasion by changing its chairman?

Sir Eric Pountain, who turned 60 earlier this month, has had a good innings and handed over the executive reigns to Neville Simms early last year. Along with Graeme Odgers and Bryan Baker, he was the reason Tarmac was regarded as one of the best-managed companies in its field in the early 1980s.

However, he was not the best chairman for a recession and Tarmac now needs an injection of new equity to repair its earlier mistakes. Having a powerful former chief executive on the board can often make life difficult for a new chief executive keen to put his own stamp on the company.

Ten years ago Tarmac was the biggest in its sector. Today, in terms of market capitalisation, Blue Circle is nearly twice as big and Redland almost three times. If Sir Eric does choose to bow out, Sir John Banham seems the most likely internal candidate to succeed him.

'Wrong kind of space'

Lerner's lessons

■ Who is behind MBNA, the major American bank which hit the headlines last week by getting a £7m grant out of the DTI to build a £43m headquarters in Chester? Whoever it was must have spun a good yarn to get that sort of treatment.

The DTI and the Department of Employment could not elaborate on the brief press release, and even the Bank of England admitted that MBNA had only got its banking licence a few days before the announcement. However, it sounds like a bank in a hurry, judging by the career of Alfred Lerner, its 60-year-old chairman.

Lerner is one of those irrepressible sorts who just won't let a little mishap get him down. Having made his first fortune in real estate, his second career as an investor in bank stocks seemed in danger of coming unstuck when he sunk $158m into the Baltimore-based bank MNC, parent of Maryland National which had run into problems with dodgy property loans.

Lerner even disappeared briefly from the Forbes list of the richest people in the US. But not for long. In order to rescue MNC from its financial problems, Lerner helped spin-off its successful credit card operations as MBNA in 1991, and has never looked back. He earned $139m last year, according to Financial World magazine's annual survey of Wall Street pay.

Public relations

■ A BBC television play called The Vision Thing, which is due for screening in October, must be causing some stage fright at one high-flying City public relations firm.

The play concerns a clever young PR flack whose smooth charm lands him the job of spokesman for the Tory party. One thing leads to another, and, as a reward for a spot of deceit and cover-up at election time, he is given the job of foreign secretary. Sad to say this promising career comes to an abrupt halt in a now predictable way.

His illicit affair with a glamorous young interior decorator is exposed after their pillow-talk is bugged by GCHQ and subsequently picked up by a retired building society manager who also happens to be an amateur radio operator.

Not much to worry about in that – except that the central role is played by one Nathaniel Parker, son of Sir Peter Parker, chairman of the Young Vic, and brother of Alan Parker, the smooth-talking boss of Brunswick, the City PR firm whose rapid rise to fame was crowned by its handling of the BT3 flotation.

So uncanny is the resemblance that viewers who switch on half way through might even think they are watching a cinema verité documentary about the comeuppance of Alan.

One only hopes they will be properly able to distinguish fact from fiction.

Trail blazers

■ Meanwhile, how many PR men does it take to change a light bulb?

I'm sorry. I'll have to get back to you on that one.

FINANCIAL TIMES
Tuesday August 24 1993

Barter offers crumb of comfort

David Dodwell looks at how a trader helped a troubled US biscuit maker

WHEN Keebler, the troubled US biscuit maker, saw a high-profile product launch fall flat last year it was left with $1m worth of unusable packaging.

Rather than write it off as scrap, Keebler talked to Atwood Richards, a leading US barter group.

Instead of buying the packaging alone, Atwood asked Keebler, the US subsidiary of United Biscuits of the UK, to fill the packs with biscuits and agreed to buy the filled packs – worth $14m – for sale only in markets where Keebler had no presence. Russia, Ukraine, Belarus and the Baltic states were targeted.

Keebler was to be paid in "trade credits", which were eventually exchanged for packaging, shipping services and marketing. Atwood used roubles paid by the Russians to buy local products and services.

Atwood also offered Keebler the right to take over the distribution network it had set up in eastern Europe.

For Keebler the deal had many attractions: it did not have to write off out-dated stock; it exploited unused capacity on its production line to fill the packs; it was paid the full wholesale price – or its equivalent in trade credits – for its incremental production; and gained, at no cost, marketing and distribution networks in new markets.

Atwood's distinction over 35 years as a trader has been to stretch the boundaries of barter.

The sector is traditionally associated with commodity trading, the former communist regimes of east and central Europe, and with the disaster-driven improvisations of companies trying to fend off the receiver.

It may be a men's suit maker who missed this season's switch to double-breasted suits; or a factory with spare capacity during the winter – or Keebler packaging made useless overnight by a new marketing campaign.

With an estimated $13bn of unused or surplus merchandise in warehouses across the US alone, Mr Moreton Binn, principal shareholder in Atwood, has the chance to make barter relevant to mainstream business wherever it is based.

Garments account for perhaps 40 per cent of Atwood's overall business. Seasonal goods are also significant as retailers seek to clear shelf space before autumn and winter.

"The world is a buffet," Mr Binn notes. "There is always somebody, some place in the world that uses or needs barter."

Atwood's business is finding alternatives. Its distinctive strengths lie in marketing, distribution, and achieving a range in the inventory of goods and services it can offer. Companies can spend their trade credits on products as diverse as packaging, office furniture, hydraulic presses, mainframe computers and refractory products, and services such as airline seats, hotel rooms, cleaning services, or television advertising space.

It has bought and sold between Omega, the watchmaker, US Steel, Goodyear Tyres, Canon, Massey Ferguson, Amoco and JC Penny.

Mr Trevor Edwards, head of the group's London office, confesses that the first response of a company executive to an approach from Atwood is cool.

"People are approached almost on a daily basis by people wanting to buy stock for cash. But the offers are so derisory that they ignore them. Often they're as low as 20 per cent of wholesale value. When I say we will buy at near to wholesale price, companies often think it's another come-on," he says.

In Skelmersdale, in the north of England, Mr Geoff Marsden, managing director of Snack Factory, a recently established supplier of crisps and other snack foods to the UK market, was no exception when he received a call from Mr Edwards to discuss a barter deal worth £5m a year for two years, allowing Atwood to sell the company's crisps across Europe. "I'm treating all this with my tongue in my cheek, but there is no cost for me to try it," he says.

"At present, I can't think of a negative. It allows me to do some test marketing and establish distribution in markets I don't have the time or resources to target myself."

According to Mr Binn there are just four components of a company's costs that cannot be bartered for: wages, rents, utilities such as water and electricity, and bank charges. Beyond these, which may account for half a company's outlay, there is no reason why any other cost must be monetised.

He says his company is not a vulture feeding on recession-injured companies.

"The business survives at all times. Not all businesses do well at the same time. Nor is the world that efficient. And trying to predict what the market for your product is going to look like next year is the biggest gamble of all."

Taiwan may underwrite BAe venture

By Daniel Green and Dennis Engbarth in Taipei

TAIWAN may guarantee loans as part of a package to save a £250m joint venture between British Aerospace and Taiwan Aerospace Corporation.

Mr Yang Shih-chien, deputy minister of economic affairs, said yesterday that be did not rule out the Treasury making loan guarantees if the two sides failed to agree on financing tbe deal.

He was speaking after 16 hours of talks in Taipei between Taiwanese officials and Mr John Cabill, BAe's chairman, failed to settle disagreements on financing and technology transfer.

Mr Cahill and his team of four senior executives will continue tbeir attempt to rescue the deal tbis morning. Botb sides remained optimistic that a deal would be concluded even if talks spilled into a third day.

The Avro joint venture is central to Mr Cabill's strategy to improve BAe profitability. The RJ series of regional aircraft, which would be built partly in Taiwan under the joint venture, loses money for the company.

BAe said proposals it had received from Mr Liang Kuo-sbu, cbairman of the Chiao Tung Bank, tbe Taiwanese state-owned bank, "were positive". The Chiao Tung Bank leads a banking consortium that is due to provide all the initial working capital for Avro. Some members of the consortium want stronger guarantees tbat technology, design and manufacturing skills will be transferred to Taiwan.

The original joint venture contract signed in January "was rather loose," Mr Yang, wbo bas been closely associated witb the proposal, said yesterday.

The banks also want assurances over the status of assets BAe is putting into the joint venture company – land, plant and machinery in tbe UK – as collateral.

Taiwanese law prevents a bank from making unsecured loans to a company in which it has more than a 3 per cent stake. This thresbold is breached by the Chiao Tung Bank, which owns significantly more than this.

Financial specialists with the Chiao Tung Bank were at the centre of tbe talks in Taipei whicb lasted until almost midnight.

In a further step to reassure the banks yesterday, the government drafted an official letter stating its commitment to Avro, after the banks indicated the government's earlier verbal support was insufficient.

World stocks, Page 29

THE LEX COLUMN

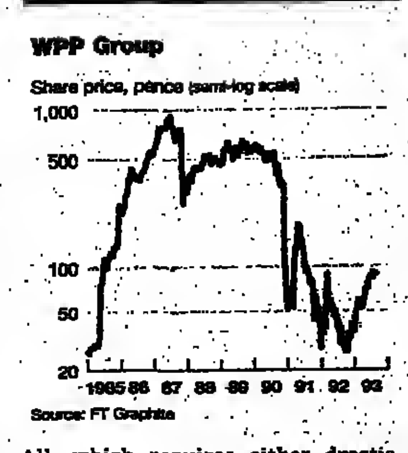
Marking the French test

France's decision first to cut and then suspend its overnight lending rate shows its markets are returning to normal after the ERM crisis. With luck, it may now be possible to complete that process by cutting the five-to-10 day borrowing rate. But France will only be breaking new ground when it starts cutting its intervention rate, which sets an effective floor for the money market. For that, the authorities will probably still keep at least half an eye on developments beyond the Rhine.

August inflation figures for Baden-Württemberg will today give an indication of the Bundesbank's room to cut interest rates this week. A monthly price rise of 0.2 percentage points or less might prompt a small cut in the German discount rate. That could allow France to cut its own intervention rate without jeopardising the franc. But with year-on-year inflation above 4 per cent, the Bundesbank may yet do nothing at all.

As long as France clings to the vestiges of its strong currency policy, that would be awkward. All the more so since the change at the top of the Bundesbank, and a money supply bloated by intervention, means a period looms when further German rate cuts will be difficult. Thus far, exchange markets have welcomed successive cuts in France's overnight rate. Any interruption to the process may see them again worrying about economic recovery. If the franc is to be weak anyway, the French economy might as well enjoy lower interest rates as well.

FT-SE Index: 3042.0 (-15.6)



Source: FT Graphite

DIY stores

The replacement of Texas Homecare's chief executive is hardly a sign that everything is going swimmingly in do-it-yourself. Thus far, the gentle upturn in housing transactions has done little for DIY retailers, with consumers reluctant to spend on fixtures and fittings. Last year's fierce price wars have been replaced by the image of consistent low pricing, but DIY retailers have only been able to hold volumes in recent times at the expense of margins. Texas had the upper hand last year, B&Q this. Poor old Do It All has been knocked from pillar to post between them. Meanwhile, expectations of a return to the glory days of the late 1980s are more desperate hope than expectation, and the market will not prosper until substantial capacity is taken out.

The most obvious casualty is Do It All, which requires either drastic pruning or complete uprooting. Yet with alternative use values for the out of town sites so low, the cost of exit is almost unbearable. Boots' strong cash flow might allow it to take the pain of closing Do It All, but its partner WH Smith is not so well placed. Smiths may well show a cash outflow when it reports full-year figures tomorrow, and its smaller balance sheet would be hard pressed to take the strain. If that means that the agony is doomed to continue in the sheds which only cost DIY shopkeepers £2m-£3m, what might happen to food retailers faced with a similar plight in air-conditioned free-hold barns costing £25m apiece?

Lloyd's

The modest queue of corporate financiers forming outside Lloyd's must be heartening for the management of the stricken insurance market. Whether investors will be tempted to put money into Finsbury's trust or any of the other investment vehicles waiting in the wings remains an open question. Since the terms on which corporate capital might be admitted will not be decided by Lloyd's council until next month – and not put to the vote until October 20 – there can be no sure answer.

For corporate capital to stand a chance of participating in the 1994 underwriting year, the bankers will have to move fast thereafter. Finsbury has opted for an investment trust; Sedgwick and BZW are working on a quoted investment company. US investment banks will doubtless have their own novel ideas. All will stand or fall, though, on their ability to pick winners among underwriting syndicates.

WPP

The banks which agreed to last year's debt-for-equity swap at WPP may be pleasantly surprised by the recent run of the shares. Yesterday's closing price represents a handsome premium over the level at which their preference shares can be converted next week. Little wonder that most fully intend to exercise that option and take profits, rather than hang on in the hope of more.

The conversion will act as a drag on the shares, since buyers will have to be found for around 11 per cent of WPP's share capital. The situation is likely to recur next year when the banks are free to convert their remaining prefs. Longer term prospects turn, though, on WPP's ability to generate more revenue while keeping a lid on costs. Revenue growth of 5 per cent in the first half – once exchange rate movements are stripped out – and a slight improvement in margins is thus encouraging.

But with recession taking hold in Europe and only a sluggish recovery in the US, that rate of progress can not be taken for granted. Discounting in markets from cigarettes to detergent also poses a threat to the branded goods companies on which WPP depends. One response by its clients would be to defend market share and the remaining price differential of branded goods over generic products by increasing marketing spend. The worrying alternative would be to defend margins by taking an axe to advertising.

British Rail

British Rail's management seems wedded to the notion that the best way to raise net revenues at times of weak demand is to cut services and raise prices. Such an attitude comes naturally to a monopoly which believes it can shamelessly exploit a captive customer base. Even in Network SouthEast's commuterland, it is starting to look old-fashioned.

Sooner or later a policy of charging more for less will lead inexorably to nothing else, private ownership of rail would surely see a more imaginative approach to revenue generation. Increased usage might even produce a lower unit cost, for all that expensive track and signalling infrastructure.

VW clash

Continned from Page 1

Ignacio López de Arriortúa, the VW production director, and three of his associates.

VW stopped commenting on tbe theft and industrial espionage probe more than a week ago, when it refused even to deny new media allegations that 11 of its employees transferred confidential Opel data in Volkswagen computers.

General Motors officials have consistently refused to talk peacefully while VW failed to witbdraw its charges, stressing that tbeir legal complaints made no mention of VW itself.

French central bank signals easing of monetary policy

Continned from Page 1

expecting cuts in tbe intervention rate, which provides a floor expecting cuts in the intervention rate, whicb provides a floor for money market rates and stands at 6.75 per cent, and the 5 to 10 day borrowing rate, whicb stands at 10 per cent.

The timing of reductions in Frencb interest rates will depend on the Bundesbank's council meeting. If it decides on a cut in German rates this would allow France to trim its intervention rate, perhaps as early as next Monday. However, unchanged German rates could lead to renewed pressures on the france.

Investors are eager for further rate cuts in France to belp revive tbe recession-hit economy and are not particularly concerned with any impact on inflation.

The inflation figures for July, released yesterday by Insee, tbe national statistics institute, supported this view. Tbe figures confirmed that consumer prices rose by just 0.1 per cent in July, compared with June, and that annualised inflation at the end of last month was down to 2.1 per cent.

S Africa

Continued from Page 1

productivity in the non-agricultural sectors had increased at a rate substantially higher than in the past; however this reflected less a strong commitment to work than a more rapid rate of retrenchments. Growth in prodnctivity continned to fall below pay growth, so real unit labour costs continued to increase.

But inflation appeared to be coming under control, with the consnmer price index falling from 16.8 per cent in October 1991 to 10 per cent in June 1993, despite a 4 percentage point rise in valne added tax in April.

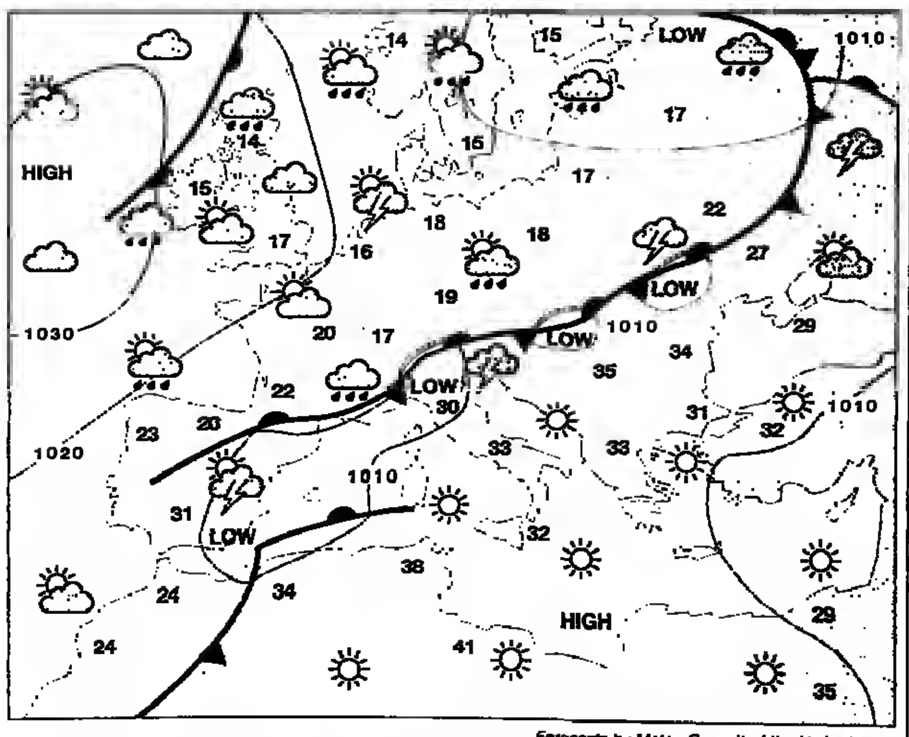
FT WORLD WEATHER

Europe today

A strong northerly air flow between low pressure over south-eastern Scandinavia and a large high pressure area west of Ireland will bring cool and unstable air over parts of the continent. The cool air will clash with a hot air mass over southern Italy and south-east Europe causing heavy rainfall and thunder showers from north-east Spain to tha southern CIS. Severe thunder storms are expected, particularly over Austria and Hungary. Local thunder storms will erupt in Spain and northern parts of Italy. Ample sunshine in the Balkans will boost temperatures above 35C. Northern Europe will see some sunshine with a few showers, mainly in coastal areas.

Five-day forecast

The zone with thunder showers and rain will move south-east bringing lower temperatures as far south as Greece by Friday. Showers will slowly decrease over north-west Europe, although Scandinavia will stay mostly cloudy and showery. Warm and sunny conditions in the Mediterranean will be interrupted frequently by thunder showers. A lot of rain will fall east and south of the Alps until the weekend.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	cloudy	26
Algiers	sun	37
Amsterdam	shower	15
Athens	sun	33
B. Aires	shower	26
B.ham	cloudy	17
Bangkok	rain	32
Barcelona	thund	28
Beijing	fair	30
Belfast	rain	15
Belgrade	sun	35
Berlin	fair	15
Bermuda	cloudy	27
Bogota	fair	21
Bombay	cloudy	30
Brussels	cloudy	16
Budapest	thund	29
C.hagen	shower	16
Cairo	sun	35
Cape Town	fair	21
Caracas	shower	29
Cardiff	fair	16
Chicago	shower	31
Cologne	cloudy	17
D' Salaam	fair	26
Dakar	fair	31
Dallas	sun	38
Delhi	fair	37
Dubai	sun	42
Dublin	shower	15
Dubrovnik	fair	32
Edinburgh	cloudy	17
Faro	sun	26
Frankfurt	cloudy	20
Geneva	cloudy	20
Gibraltar	fair	31
Glasgow	shower	15
Hamburg	shower	15
Helsinki	cloudy	15
Hong Kong	shower	30
Honolulu	fair	32
Istanbul	sun	31
Jersey	cloudy	15
Karachi	cloudy	32
Kuwait	sun	46
L. Angeles	fair	24
Las Palmas	sun	27
Lima	fair	21
Lisbon	fair	24
London	cloudy	17
Lux.bourg	fair	17
Lyon	thund	22
Madeira	fair	25
Madrid	thund	30
Majorca	shower	34
Malta	sun	34
Manchester	cloudy	16
Manila	shower	31
Melbourne	fair	22
Mexico City	fair	15
Miami	sun	33
Milan	thund	28
Montreal	cloudy	27
Moscow	shower	14
Munich	shower	15
Nairobi	cloudy	26
Naples	sun	33
Nassau	fair	32
New York	sun	30
Nice	thund	27
Nicosia	sun	34
Oslo	cloudy	17
Paris	fair	20
Perth	cloudy	16
Prague	shower	21
Rangoon	shower	31
Reykjavik	fair	13
Rio	fair	27
Riyadh	fair	43
Rome	fair	30
S. Frsco	rain	21
Seoul	fair	29
Singapore	shower	31
Stockholm	cloudy	15
Strasbourg	cloudy	19
Sydney	sun	25
Tangier	fair	23
Tel Aviv	sun	33
Tokyo	fair	31
Toronto	thund	30
Tunis	sun	38
Vancouver	cloudy	18
Venice	thund	28
Vienna	thund	23
Warsaw	cloudy	15
Washington	fair	32
Wellington	shower	13
Winnipeg	fair	27
Zurich	cloudy	17

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 24 1993

INSIDE

Austrian brewer in rights issue

Brau Beteiligungs (BBAG), Austria's leading brewery group, is seeking to raise Sch1.9bn ($160.5m) through a rights issue for itself and a warrant rights issue for its main subsidiary, Brau Union. Page 16

Fight over Canadian skies

The drawn-out fight for survival between Canada's two main airlines is nearing a climax. However, Air Canada and Canadian Airlines International, with combined debts of C$4.2bn (US$3.2bn), are bleeding profusely. The latest salvoes have come from Air Canada, which is trying to thwart an alliance between Canadian and AMR Corporation of Dallas, parent company of American Airlines. Page 18

Dutch trading moves abroad

The popularity of Dutch shares among foreign investors is proving to be e curse as well as a blessing for the Amsterdam Stock Exchange. Strong foreign demand for the likes of Royal Dutch, Philips and Heineken means that e high percentage of trading in Dutch blue chips is now conducted abroad rather than in Amsterdam. Page 17

Bond unit for Guinness Mahon

Guinness Mahon, the UK merchant bank owned by the Bank of Yokohama, le setting up a capital markets operation which will specialise in broking bonds. Page 16

The return of Howard Hodgson

Mr Howard Hodgson, one of tha more flamboyant entrepreneurs of the 1980s, has returned to the London stock market as the biggest shareholder and chief executiva of Hoskins Brewery, the Leicester real ale brewer. Page 20

Hibernian reaches a record

Hibernian, the Dublin-based insurance group, reported a 2.3% rise in first-half pre-tax profits to a record I£8.9m ($12.6m), despite increased underwriting losses of I£8.5m. Mr Cecil Hayes, general manager finance, described the results, attributed to an increase in investment income, as "very satisfactory". Page 19

Sharp rise for GPG

Guinness Peat Group, the UK investment vehicle of New Zealand entrepreneur Sir Ron Brierley, reported a sharp rise in first-half pre-tax profits to £6.7m ($10.1m), compared with £3.1m for the nine months ending June last year. Page 20

Fungus forces up US wheat

US wheat prices jumped last week after tha discovery of a poisonous fungus in the spring wheat crop. The crop quality concerns have since abated, but are still sufficiently significant, analysts say, to sustain firm prices for high quality wheat worldwide. Page 21

Cross-Channel falls

Source: FT Graphite

In Paris Euro Disney shares fell 4 per cent shortly after the opening following negative media comment et the weekend and confirmation by the group that summer bookings had been weak. Likewise in London the shares lost 3 per cent, falling 20p to 620p. Mr Nigel Reed at Paribas Capital Markets believes the company will "need an injection of finance to keep it going". World Stock Markets, Back Page; LSE, Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Falls				**Rises**			
AEG	168.5	-	6.3	Ecco	542	+	17
Horten	214.3	-	7.7	Fonc Lyonnaise	704	+	24
Karstadt	579	-	18	Imm de France	1088	+	46
MAN Pref	274	-	12.5	**Falls**			
Porsche	625	-	25	Elf Aquit'n Cts	368.9	-	10.1
Schering	965.3	-	28.7	Lafarge Coppee	423.5	-	16.5
NEW YORK ($)				Roussel-Uclaf	585	-	23
Falls				**TOKYO (Yen)**			
Genl Electric	97⅝	-	1	**Rises**			
Intl Paper	66⅝	-	⅝	Brother Ind	550	+	19
Merck	32	-	⅜	**Falls**			
Pfizer	62½	-	1⅝	Asics Corp	495	-	19
Procter & Gmbl	48	-	1⅛	Mitsui Petchem	757	-	24
Utd Healthcare	56	-	2⅜	Nippon Fire	762	-	28
				Nitsuko	900	-	24
				Shokusn Jutaku	651	-	29

New York prices at 12:30.

LONDON (Pence)							
Rises				Relyon	233	+	12
Andrews Sykes	110	+	7	Sthn Business	65	+	4
Chiltern Radio	78	+	8	**Falls**			
Copymore	78	+	15	Aran Energy	31½	-	4½
Coutts Consltg	47	+	3	Brit Aerospace	435	-	14
Eidos	90	+	20	Euro Disney	620	-	20
Everest Foods	117	+	13	Eurotunnel Uts	444	-	17
Fyffes	107	+	7	HSBC (75p shs)	707	-	18
Guinness Peat	28½	+	2½	Ramsden's (H)	182	-	9
Haemocell	130	+	10	Sharelink	330	-	15
Headlam	167	+	7	Standard Chrtd	943	-	18
Hoskins Brew	76	+	20	Weir Group	351	-	14
Mallett	85	+	7				
Psion	112	+	12				

WPP cautious on fragile upturn

By Roland Rudd in London

WPP GROUP, the marketing services company, remains cautious about an upturn in its markets in spite of reporting pre-tax profits of £24.1m ($33.7m), up from £1.8m, in the half-year to June 30. The result was helped by the absence of last year's £13.5m restructuring charge.

Mr Martin Sorrell, chief executive, said: "The economic recovery, such as it is, remains delicate and unsettled especially in the US and the UK. "On the basis of client experience to date, it is possible that a recovery will be delayed for some time."

The group is paying an interim dividend of 0.35p, as it forecast at the time of its rights issue in March: the first payout since 1990.

The shares rose 3p to 93p.

Reorganisation and rationalisation costs of £3.3m covered severance pay. Operating profit before this cost rose to £46.5m (from £35.1m). Billings increased to £2.9bn (from £2.5bn) and group revenues rose by 16.4 per cent to £699.7m, although more than 10 per cent of that rise was due to the weaker pound.

Revenues in media advertising increased by 7.4 per cent in the first half. J Walter Thompson and Ogilvy & Mather generated net new business billings of more than £156m ($235m) and £117m ($176m) respectively.

However, while US advertising is showing signs of recovery, the group voiced its concern about the extent to which President Clinton's tax proposals could affect US companies, which in turn might cut back on their advertising.

Public relation companies continued to lose money. Hill & Knowlton and Ogilvy Adams & Rinehart reported combined losses of £4.8m, up from £400,000.

Net debt fell to £372m (from £476m) resulting in a lower interest charge of £15.6m (against £20.5m).

The average net debt figure reflects three months of proceeds of its £85m rights issue.

The group hopes to reduce borrowings further with the sale of Scali McCabe Sloves, the US agency. That sale is expected to fetch between $40m and $60m.

In the long-term, WPP is considering the flotation of its market research activities in south-east Asia and the sale of one or two smaller companies.

Earnings per share of 2.5p compare with a loss of 7.6p.

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Martin Dickson analyses the Japanese company's problems in a foreign market

Bridgestone wakes from an American nightmare

A long American nightmare is finally over for Bridgestone, the Japanese rubber company which found itself in severe difficulties after it snapped up Firestone, the large US tyre manufacturer, in an ambitious $2.6bn takeover five years ago. This is the first year since then that Bridgestone/Firestone (BFS), the US company formed after the takeover, will make an annual profit.

The newly confident company claims to be gaining ground in an intensely competitive market – but so too does Goodyear Tire & Rubber, the market leader, which last month reported one of its best quarterly results ever.

Goodyear had an estimated 15.5 per cent share of the US replacement car tyre market in 1992, compared with 7.5 per cent for Firestone and 3.5 per cent for BFS's separate Bridgestone brand, according to Modern Tire Dealer magazine.

The financial upturn is a welcome change for BFS, which lost $350m in 1990, $500m the following year and $146m in 1992 – even though it broke even in the second half of last year.

And it is an important development for the company's Japanese parent, which staked much of its future on the 1988 takeover. Before the deal, it was number one in the Asian tyre market, but an also-ran elsewhere.

Bridgestone's problems in the US, and the way it has gone about solving them, show that Japanese companies are far from infallible in penetrating foreign markets, particularly when taking over another company rather than building their own business from scratch.

"The problems of Firestone have proved to be far more difficult than anyone expected," says Mr Sunil Kumar, president of BFS's tyre sales business.

Originally, Bridgestone merely wanted to take a majority stake in the Firestone tyre business, but it was pushed into a full takeover when Italy's Pirelli launched a competing offer.

It knew that it would face some post-merger difficulties. When it bought a truck tyre plant from Firestone in Tennessee in the early 1980s, it found the equipment run down and labour relations poor.

Nevertheless, it remained ill-prepared for the sheer scale of modernisation required and for the headaches of merging two corporate cultures, as well as different manufacturing and distribution systems.

Bridgestone was forced in 1991 to pump an additional $1.4bn of capital into the subsidiary to halve its debt.

The problems were compounded by the onset of recession in the US, which cut demand for tyres, and by the Japanese company's "kid gloves" approach to its acquisition.

Rather than aggressively merging the two companies, it initially kept Firestone's sales and marketing operations separate from Bridgestone's, thus losing many of the cost advantages of the deal and fostering competition between the two arms. "They didn't want to do anything which might injure Firestone," says Mr Kumar. "I think they coddled up injuring everyone." He says there were numerous examples of Bridgestone salesmen calling on dealers and trying to encourage them to buy Bridgestone tyres rather than Firestone.

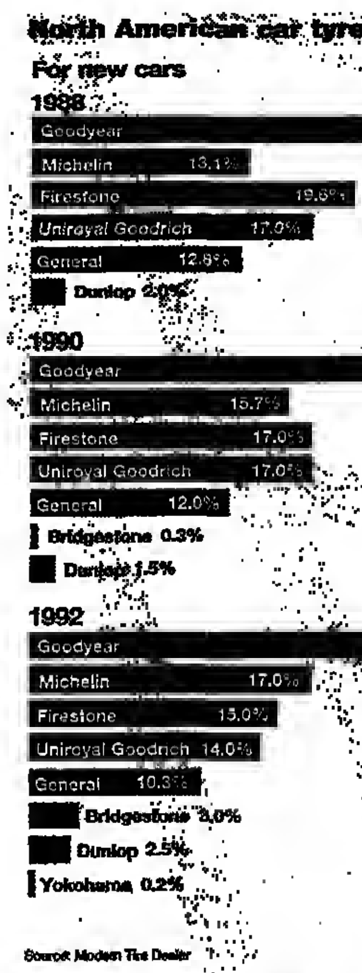
However, BFS's fortunes turned for the better in 1991 when the parent company adopted a more hands-on approach, despatching Mr Yoichiro Kaizaki, a senior executive from Tokyo, to replace Mr George Aucott, the then chief executive.

"He changed the attitude of everyone in the company," says Mr Kumar. "Before, everyone went around staring at their shoes feeling we were losers."

Mr Kaizaki, who returned to Japan last March to become president of Bridgestone, rapidly consolidated the two marketing operations. He reorganised the company into 21 independent business units, each with responsibility for profits.

Whereas the two brands had previously been treated as "separate but equal", they were now "together but unequal" – in other words aimed at different market niches. Bridgestone tyres tend to have an up-market performance image, while Firestone is more for the mass market.

Mr Kaizaki switched the group's headquarters from Akron, Ohio, where Firestone was based, to Nashville, Tennessee, where Bridgestone had been headquartered. Nashville offered a geographically central location and a fresh beginning.



Source: Modern Tire Dealer

Replacement tyres 1992	
Goodyear	15.5%
Michelin	8.0%
Firestone	7.5%
General	6.0%
Sears	5.0%
Cooper	4.0%
Uniroyal Goodrich	3.5%
Bridgestone	3.5%
Kelly	3.5%
Multi-Mile	3.0%

However, BFS is also benefitting from initiatives stretching back to 1988. They include a $1.5bn manufacturing modernisation programme, announced six months after the takeover; the transfer of Japanese tyre-making technology, including a greenfield, state-of-the-art truck tyre plant in Warren, Tennessee, about to undergo a $110m expansion; and the introduction of "kaizan", continual manufacturing improvement through the involvement of shop-floor workers.

All these factors, says Mr Kenji Shibata, BFS president, have improved productivity, though it remains about 65 to 70 per cent that of Bridgestone's Japanese plants. He thinks this may rise to 95 per cent in five years. Differing environmental and social costs make parity unlikely.

Mr Masatoshi Ono, BFS chief executive, says that on the manufacturing side tha company still needs to become more flexible, shortening product development times and coping better with small production runs. On the marketing side, both brands need to be strengthened.

A survey of consumer satisfaction with tyres fitted on new cars, carried out by the market research concern JD Powers, found both Bridgestone and Firestone below the industry average in 1992, behind Pirelli, Michelin and Goodyear. Mr Kumar says: "It takes a while for the consumer to recognise significant quality improvements."

BFS has no grounds for complacency. It may be in the black, but competition in the global tyre industry and excess manufacturing capacity is keeping tyre prices depressed. It will be a considerable time before Bridgestone gets a decent return on its US investment.

Morgan Stanley beats its record

By Patrick Harverson in New York

SHARES in Morgan Stanley rose to a new year high yesterday after the US securities house reported record second-quarter profits of $224.2m, or $2.77 a share. At the same stage last year the firm earned $119m, or $1.36 a share.

Morgan Stanley's strong second-quarter earnings surpassed the firm's previous record of $198.8m, earned in the first three months of the current fiscal year, and provided evidence that the record-breaking boom on Wall Street shows little sign of losing steam.

The results exceeded many analysts' expectations and the stock rose $⅞ to $79⅝, a 52-week high.

Morgan Stanley's performance was driven primarily by trading revenues, which leapt 153 per cent to $517.9m over the three months. Although the sharp jump reflects increases in both customer-related and proprietary trading revenues, earnings from the firm trading its own capital in US and overseas financial markets, particularly fixed-income markets, will have been especially strong.

Mr William Hartman, securities industry analyst at the banking group JP Morgan, said: "A lot of that [increase in trading revenues] came from Europe. They were able to capitalise on declining European interest rates."

Improvements were also made elsewhere. Strong growth in financial advisory services and in high-yield and structured debt underwriting boosted Morgan Stanley's earnings from investment banking to $318.2m, up from $284.2m a year ago.

Revenues from broking commissions rose 17 per cent to $90.7m, while asset management and administration revenues climbed 20 per cent to $63.6m. Interest and dividend revenues rose slightly to $1.48bn.

Overall, total revenues (excluding interest expense) rose to $11.5bn, up from $764m a year ago.

Expenses climbed sharply because of a 54 per cent increase to $572.2m in compensation and benefits payments, which are tied to the firm's performance. Most of Morgan Stanley's other expense lines were little changed in the quarter, and total non-interest expenses was $787.8m, compared with $568.9m a year earlier.

MAN to cut staff as demand falls and profit slumps 45%

By Christopher Parkes in Frankfurt

MAN, the German trucks and engineering group, is to cut its dividend to DM8.50 from DM12 last time following a 45 per cent profits slump in the year to the end of June.

Net earnings fell from a record DM418m ($261m) to a provisional DM230m on sales of DM19bn, down 1 per cent on the previous financial year, the group said in an interim report yesterday.

There had been no improvement in business conditions since publication of the company's half-year report in February, it added. The backlog of outstanding orders totalled DM14bn at the end of the year under review, 15 per cent lower than in 1991-92.

Incoming orders for the year were down 8 per cent at DM16.6bn. While foreign demand was up 2 per cent, domestic orders were 20 per cent lower at DM6.7bn. Although that suggests improvement from the first half, when total new business was down 14 per cent, the group showed few signs of optimism.

However, it said, after climbing steadily through the year, incoming orders in the fourth quarter, at DM4.8bn, were 5 per cent above the last quarter of the previous year.

MAN, Germany's second-biggest truck maker after Mercedes-Benz, said personnel cuts would have to continue, particularly in commercial vehicles and the MAN Roland printing machinery divisions.

The group has shed nearly 6,000 workers, approximately 9 per cent of its payroll, since mid-1991. Profit figures for this year include provisions for 3,300 more job losses in the current year.

Demand for commercial vehicles was down 13 per cent on the year, while orders for engineering products and plant were 6 per cent lower.

An 11 per cent rise in turnover from trading activities helped offset a fall of 8 per cent in trucks and no change in engineering sales. Vehicles account for about 40 per cent of group sales and more than half of its annual earnings.

German industry was still in deep recession, the report said, and capital investment was falling faster. Weaknesses in most European markets had been exacerbated by devaluations against the D-Mark, while improvements in the US economy had still not had any discernible effects on the group's business.

Tomkins pays $15m incentive

By Richard Gourlay in London

MR RICHARD CARR, the man who fashioned a crucial US expansion for Tomkins, the UK-based conglomerate, probably securing its growth as one of the country's largest companies, has received $15.1m for his efforts.

The payment, modest by the standards of many US-style incentive packages, is believed to be one of the largest made to a working UK director.

Mr Greg Hutchings, Tomkins chief executive, said that without the three US acquisitions made by Mr Carr, Tomkins would not have made it through the UK recession.

Mr Carr who remains international mergers and acquisitions director, received the payment in March in accordance with a 1987 agreement set up when Tomkins was seeking to expand through acquisition but was not prepared to set up a US office.

Beating a path first trodden 14 years earlier by Lord White, who led the successful US acquisition programme for Hanson, the Anglo-UK conglomerate, Mr Carr set up an office in New York in 1987 to find potential targets. He was required to invest $160,000 of his own money which he would have lost had the acquisitions failed.

Mr Hutchings said Mr Carr "had a lot of downside and we had no downside".

Only after Mr Carr made the first acquisition, the $113m purchase of Smith & Wesson, the hand-gun manufacturer in June 1987, and the conglomerate set up a US office did he join Tomkins' executive team.

Tomkins then went on to acquire Murray Ohio for $228m in August 1988 and Philips Industries for $550m two years later.

Mr Carr's 1987 agreement stated that Mr Carr would be entitled to an interest in 10 per cent "in the growth of the assessed value of businesses he identified which Tomkins purchased", according to the Tomkins annual report published yesterday.

These three US businesses generated sales of £1.72bn and earnings of $78.2m in the year to May 1992, entitling Mr Carr to the $15.1m payment.

Mr Hutchings denied the decision to buy out Mr Carr's interest suggested Tomkins would make its next acquisition in the US. Such a move could have led to a much larger payment to Mr Carr.

Austria's leading brewer seeks to raise Sch1.9bn

By Ian Rodger in Vienna

BRAU Beteiligungs (BBAG), Austria's leading brewery group, is seeking to raise Sch1.9bn ($160.5m) through a rights issue for itself and a warrant rights issue for its main subsidiary, Brau Union.

The group, which dominates the Austrian beer market with e share of more than 60 per cent, has also disclosed first-half consolidated pre-tax profit of Sch323m, up from Sch169m last year. All but Sch37m of the rise came from property and share sales.

BBAG, one of Europe's largest brewing groups witb annual output of over 8m hectolitres of beer, has undergone a restructuring in the past year, simplifying a complex web of cross-holdings among Austrian brewers. Two main sub-groups, both quoted on the Vienna Börse, have emerged. Brau Union, in which BBAG has e 66 per cent stake, has all the group's brewing intarests, both in Austria and in eastern Europe. BBAG itself bottles soft drinks, mineral waters and fruit juices.

BBAG's first-half coneolidated sales were up 5 per cent to Sch5.2bn. Mr Christian Beurle, chief executive, forecast that pre-tax profit would rise 19 per cent to Sch550m in the full year.

Proceeds from the rights issues are to be used for financing expansion opportunities in eastern Europe. Both issues are on the basis of one new share for every five held. Prices will be struck on September 30.

The BBAG issue is e conventional one, with a two-week exercise period. The Brau Union issue will run for six months from October 22.

"It is really a rights issue disguised as a warrant," Mr Walter Schuster, deputy director of capital markets at Giro-Credit Bank, said. Mr Schuster, who conceived the idea, said the problem was that both companies wanted to raise new capital, and their plan was for BBAG to go to the market this year and Brau Union a year later.

Schwechater Holdings, which owns 68 per cent of BBAG, will not be taking up its rights, so its stake will fall to 52 per cent. A banking group led by GiroCredit and Creditanstalt in Austria and Credit Suisse First Boston abroad, is underwriting the BBAG issue, and will place available shares with domestic and foreign investors.

The Brau Union issue is not being underwritten. BBAG is not taking up its rights, and the banking group will try to sell these shares in the market.

Cost-cuts and weaker krona lift SSAB profit

By Christopher Brown-Humes in Stockholm

COST-CUTTING and the weaker krona helped SSAB, the Swedish steel group, more than donble first-half pre-tax profits, to SKr338m ($42.5m) from SKr128m, despite the difficult market conditions which continued to depress sales.

Tbe group, privatised last year, said it had cut processing costs by 5 per cent since the 1992 first half and by 10 per cent since 1990. Staff numbers bave fallen by 2.5 per cent to 9,700 since the year-end.

Lower volumes led to a 2 per ceot decline in sales to SKr6.35bn, even though prices were 3 per cent higher in krona terms because of the weakening of the Swedish currency.

The group's steel plate division, SSAB Tunnplat, lifted profits to SKr58m from SKr16m, while the heavy plate unit hoosted profits to SKr109m from SKr55m. Both the building products division, Plannja, and the Tibnor trading unit returned to the black, with profits of SKr33m and SKr13m respectively.

SSAB said it expected to make a profit in the second half for the first time since 1990. Last year it made a SKr165m loss.

Dogfight in Canada's skies nears climax

Bernard Simon reports on what has become a bitter and messy corporate battle

A BARRAGE of noisy volleys over the past fortnight suggests that tbe drawn-out figbt for survival between Canada's two main airlines is nearing a climax.

Air Canada and Canadian Airlines International are firing every weapon at their disposal as each seeks supremacy in a battle which has become increasingly frantic, but remains es confused and unpredictable as when it began almost two years ago.

The only certainty is that both airlines, with combined dehts of C$4.2bn (US$3.3bn), are bleeding profusely. Foreign carriers complain that fare-cutting by the two combatants is severely undermining the profitahility of tbeir Canadian routes. "Whatever one does, the other will do in epades," says the representative of one European airline in Toronto.

Mr Ted Larkin, analyst at Bunting Warburg in Toronto, predicts thet whatever the outcome, the survivor (or survivors) will require a heavy injection of equity.

The latest salvoes have come from Air Canada, which is desperately trying to thwart e planned alliance hetween Canadian and AMR Corporation of Dallas, parent company of American Airlines.

AMR would secure Canadian's future by infusing C$246m of new capital in exchange for e 33 per cent equity stake. But the US carrier has put e gun to Canadian's head by setting an end-1993 deadline for the deal to be finalised.

As an alternative to the American deal, Air Canada last week offered to pay C$200m for Canadian's offshore routes to Asia, Europe and South America. It would also take over leases on the aircraft which currently fly those routes, making the total deal worth ebout C$1bn. Canadian would be left as a domestic carrier.

Air Canada's offer, like other moves it has made, is shrewdly timed. As a former quasi-state-owned corporation which was privatised in 1989, the Montreal-based airline "knows how to pull tha levers of politics", one Toronto analyst says.

The proposal comes on the eve of crucial votes on August 27 hy shareholders and creditors of PWA, Canadian'e parent company, on e financial restructuring. Air Canada's offer to take over some of the jewels of Canadian's fleet means that senior creditors who hold the leases on these aircraft can look forward to cash payments, rather than the near-worthless common shares offered to them under PWA's restructuring plan.

Air Canada has also sought to defuse criticism thet any solution other than the deal with American would result in huge job losses at Canadian, especially on its home turf in western Canada. Air Canada has offered, for instance, to set up a wide-body jet maintenance base in Vancouver and to employ all Canadian's international crews.

Meanwhile, the Montreal-hased carrier has shored up public support on its own doorstep by signing a tentative letter of intent last week to buy up to 48 Canadair Regional Jets from Bombardier, the transportation group whose main assembly plant is also in Montreal.

Canadian has so far rejected Air Canada's overtures outright. Mr Rhys Eyton, Canadian's chairman, called the bid for its routes part of "a diabolical plot" to kill his airline.

If nothing else, having to shrink Canadian from an international airline flying to five continents to an insignificant domestic carrier would be a severe humiliation. Canadian has its roots in Pacific Western Airlines, which was e profitable regional carrier before it over-stretched by swallowing Canadian Pacific Airlines and Wardair in the late 1980s.

Mr Larkin says, however, that Air Canada's latest proposal plus American'e year-end deadline have put Canadian against the wall. "The options have become more limited," he says. "Time is running out."

Canadian has pleaded for the government to come to the rescue, though it has yet to specify in what way. It argues that if the deal with American collapses, thousands of jobs will be lost and the national interest damaged hy leaving Air Canada as an unfettered monopoly.

Loan guarantees from the federal and several provincial governments have helped keep Canadian flying for the past year. But with e general election looming, politicians are now more reluctant to become involved as they find themselves torn between two high-profile companies, each with its own powerful regional constituency.

The dilemma for the government is epitomised by the fact that Ms Kim Campbell, the prime minister, comes from Vancouver, while her transport minister, Mr Jean Corbeil, is a Quebecer.

Canadian'e best (and perhaps last) hope of clinching the deal with American lies with the quasi-judicial Competition Tribunal in Ottawa.

The tribunal will convene on September 8 to consider the latest of many tortuous attempts by Canadian to extricate itself from the Gemini computerised reservations system, which it owns in partnership with Air Canada and a unit of United Airlines.

A condition of Canadian's entire deal with American is that Canadian sever its ties with Gemini, and take its business to AMR's Sabre system. AMR wants to use Canadian as a guinea pig and a showpiece for its business of providing management services to airlines, other transport companiea and hotels.

Canadian contends that the dissolution of Gemini would preserve competition in the airline industry. But Air Canada is fighting its rival'a effort to withdraw from Gemini, arguing that Canadian is legally bound to remain in Gemini until 1999, and that its withdrawal would undermine the network's viability.

The competition tribunal, which has considered the Gemini issue once before, is expected to come to a quick decision. What that decision will be is largely a matter of conjecture. One way or the other, however, it will provide a pointer to the outcome of what has become one of Canada's most messy corporate battles.

Bikuben returns to black as loss provisions double

By Hilary Barnes in Copenhagen

BIKUBEN, Denmark's third-largest bank, reported a first-half pre-tax profit of DKr207m ($30m) compared with a loss of DKr442m in the same period last year.

The bank returned to profit despite a doubling of loss provisions to DKr1.68bn from DKr781m, which Mr Borge Munk Ebbesen, the bank's chief executive officer, described as reflecting "the culmination of a series of the economic difficulties which have hit Danish business in recent years". The bank has become involved in a legal dispute over the interest formula on $50m in subordinated loan capital subscribed to Bikuben by the Danish dairy group, MD Foods. As a consequence, the bank has decided not to include the loan in the capital base at the half-year, which nevertheless left the bank with a capital adequacy ratio of 10.5 per cent.

The main contribution to the improvement in the bank's performance in the first half was a DKr734m gain from the value adjustment of the securities portfolio.

Ladbroke DIY chain shake-up

By Neil Buckley in London

TEXAS Homecare, Ladbroke's DIY chain, yesterday announced a shake-up at the top. It appointed Mr John Coleman, former managing director of the Dorothy Perkins chain, as chief executive. It also revealed that Mr Ron Trenter, Texas chairman, would move shortly to another position within Ladbroke.

Mr Peter George, vice-chairman, had long been seen as heir apparent to Mr Cyril Stein, Ladbroke's chairman, and analysts said it was unlikely that Mr Trenter was being groomed to succeed him.

Securities gains behind sharp Uni Storebrand rise

By Karen Fossli in Oslo

UNI Storehrand, Norway's largest insurance group, yesterday announced sharply improved first half pre-tax profits to NKr689m ($94.8m) from NKr79m in the same period last year, helped by substantial gains on securities.

The group boosted net operating income to NKr10.93bn from NKr10.1bn. The increase was achieved despite a loss in premium income by the life business which saw market share decline by 2.8 percentage points to 31.9 per cent in terms of premiums written during the last year.

Uni said group operating expenses had been cut by 2.67 per cent during the six-month interim to NKr8.69bn from NKr9.3bn. Although the payroll was reduced by 286 employees to 4,221 during the period, the full effect of cost reductions is not yet apparent due to terms and conditions of voluntary redundancy arrangements, the company explained.

Gains on securities hit NKr1.41bn, including a NKr213m net gain on the disposal of the group's 25 per cent stake in Skandia, Sweden's biggest insurer, against a loss of NKr690m last year.

Uni said unrealised gains on a consolidated basis rose by NKr1.5bn during the second quarter and stood at NKr3.6bn at end-June. However, by the end of last month unrealised gains had increased further to NKr3.81bn.

Uni pledged to place particular emphasis on quality assurance in future as part of measures to regain market confidence in the group following its release on July 13 from public administration.

Uni collapsed last August under the weight of NKr3.8bn debt taken on to but the Skandia shares in a failed attempt to gain control of the company. The group's shares were relisted on the Oslo bourse in mid-June and NKr4.3bn was raised through share and bond issues in a major recapitalisation of the group.

Uni said it made cash settlements to creditors last month whose claims had fallen due and been approved. The settlements involved full payment of principal, together with interest of about 11 per cent per year and reduced Uni's external debt and cash holdings by NKr4.3bn.

UNI STOREBRAND has reached edvanced stages of planning a spin-off of Christiania General Insurance, the group's New York-based reinsurance business, into a separate company listed on the New York Stock Exchange, writes Karen Fossli.

Uni said a prospectus for an issue of Christiania General shares was almost complete and that a valuation was almost finished. The company added that limited group resources would in future prevent it from financing the further development of Christiania General.

Earlier this year, Uni had considered either disposing of Christiania General or seeking a strategic partner for the entity, but this had become difficult during a period of consolidation of the US reinsurance market.

Credit Suisse First Boston, among others, are advising Uni on the move.

Christiania General has assets of $300m and is ranked 11 among US reinsurers.

Last year the unit returned a surplus of about $120m under US accounting principles, compared with a deficit of $125m in 1991.

China to impose freeze on corporate bond issuance

By Tony Walker in Beijing

CHINA will place a freeze on enterprises issuing bonds in the latter part of this year in an effort to curb a bond-issuing spree that has raised concerns about the circulation of billions of yuan of worthless paper.

The English-language Business Weekly reported at the weekend that the People's Bank of China, China's central bank, and the State Planning Commission, were scrutinising all applications for new bond issues.

The paper quoted Mr Lu Pansheng, a central bank official, as saying that bond issues that have not already been approved will be stopped.

Companies seeking working capital through bond issues will be asked to apply for bank loans, the official said.

Some Yn20bn ($3.45bn) of corporate bond issues had been planned for this year, but worries about the ability of enterprises to service their commitments, and concerns about bonds draining money from the banking system, have prompted the latest measures.

Steps to curb unrestrained bond issues by enterprises seeking funds to expand their activities are part of a wide-spread crackdown by the Chinese authorities on a financial sector that had mushroomed out of control.

China's efforts to cool its overheating economy include a squeeze on credit, a demand that banks recall billions of yuan in loans for speculative ventures such as property, and a strengthening of control over the countries fledgling capital markets.

Mr Zhu Rongji, China's senior vice-premier in charge of the economy, was appointed last month to head the central bank. He wasted little time in installing a new team of deputy governors to assist him in unravelling China's financial morass.

Regulations issued earlier this month were also aimed at clamping down on the bond issuing binge. These included the requirement that enterprises not be permitted to issue bonds unless they had been profitable for the last three years.

Proceeds from the issuing of corporate bonds could not be spent on real estate speculation, securities, futures trading, or other risky investments that are not related to the enterprise's central business.

Companies which float bonds without approval or provide an interest rate higher than the one set by the central bank will be severely punished, the report said.

No mention was made of China's capital raising abroad. China has embarked on a fairly ambitious programme of international bond issues. These are almost certain to be coming under careful central bank scrutiny.

Playmates hit by fall in Ninja Turtle sales

By Simon Davies in Hong Kong

PLAYMATES, the Hong Kong toy manufacturer which produces the Teenage Mutant Ninja Turtles, yesterday announced a further decline in earnings. First-half 1993 net profits fell 16.5 per cent, to HK$146.6m (US$18.9m).

The interim dividend is being cut from 7 cents a share to 6 cents.

At the peak of Turtle sales in 1991, the company posted six-month profits of HK$409m. However, the product's popularity has waned and the company has failed to find an alternative source of income.

Turnover fell to HK$600.6m from HK$645.5m in 1992, despite the success of the group's Star Trek product line.

In addition, associate contributions swung to a HK$12.6m loss, due to a negative contribution from the 37.5 per cent-owned Ideal Loisirs of France. The French toy group is expected to turn in a profit in the current half-year.

Like many other Hong Kong manufacturers, Playmates has turned to property development in an attempt to make up for dwindling profits from its toy core business.

Director Mr Edmund Ip said the company's "objective is to establish itself as a quality developer concentrating initially on smaller sites in carefully selected locations".

● South China Morning Post, the News Corporation subsidiary which publishes Hong Kong's leading English language newspaper, reports a net profit of HK$494m for the year ended June, down 7 per cent.

The fall was primarily the result of the full utilisation of tax losses during 1992. The figures were also adversely affected by the recent purchase of Wah Kiu Yat Po, a Chinese language newspaper.

The dividend is being held at 30 cents a share.

Australian coal producer's profits up 23%

By Bruce Jacques in Sydney

COAL and Allied Industries, the Australian coal producer, has increased net profits for the year to June by 23 per cent to A$59.7m (US$40.4m).

The result was achieved on a 7 per cent improvement in revenue to A$657.4m. The company is stepping up its dividend from 60 cents to 70 cents a share.

Coal production rose marginally from 11m to 11.1m tonnes, but sales rose strongly from 11.1m to 11.9m tonnes.

Reviews of the underground operations led to significant reductions in employee numbers during the year. The board is making a provision of A$35.1m before tax for diminution in the value of the assets.

That provision led to a net A$28.4m abnormal loss but this was offset by a A$7.5m tax credit. Depreciation took A$51.5m, against A$44.4m.

Varity surprises with $14m net for quarter

By Karen Zagor in New York

SHARES in Varity, the US automotive, farm and industrial equipment maker, reached a 52-week high yesterday after the company posted better-than-expected second-quarter earnings.

In the latest quarter, it took a one-time charge of $1.7m, or 5 cents a share, which left net income at $14.4m, or 29 cents. In the same period of 1992, Varity had net income of $14.1m, or 37 cents. Sales in the three months dropped to $860.9m from $891.4m, reflecting the disposal of several businesses.

Stripping out one-time charges, taxes and earnings of associated companies, Varity earned $15.4m in the 1993 quarter against $17.6m a year earlier. The shares rose $3⅞ to $36⅞ at mid-session.

Mr Victor Rice, chairman and chief executive, said the company had cut its interest expense by 73 per cent in the second quarter, reflecting the restructuring and financing actions. The company's consolidated debt is $1bn lower than last year.

Kelsey-Hayes, the automotive components business, had operating income of $19m on sales of $256m. On a pro forma basis, earnings were $13m on sales of $228m in the 1992 period. The company attributed the rise to higher margins due to improved operating efficiencies.

Massey Ferguson, the farm equipment unit, bad operating income of $4m on sales of $239m. On a pro forma basis, it earned $4m on sales of $283m last year. Although Massey's main European market has been weak this year, it expects the business to remain profitable in 1993.

The UK-based Perkin's engines business turned in flat earnings of $11m.

Dutch toughen bourse reforms

Ronald van de Krol looks at efforts to return trading to Amsterdam

THE popularity of Dutch shares among foreign investors is proving to be a curse as well as a blessing for the Amsterdam stock exchange.

Strong foreign demand for the likes of Royal Dutch, Philips and Heineken means an alarmingly high percentage of trading in Dutch blue chips is now conducted abroad – mainly on London's Stock Exchange Automated Quotation (Seaq) system – rather than in Amsterdam itself.

For years, Amsterdam has tried to ward off London's attractions by undertaking gradual reforms, such as abolishing stamp duty, encouraging direct bloc trading between banks, and automating the flow of orders onto the bourse floor.

However, these measures have had such little impact that the Amsterdam stock exchange is now gearing up to push through more radical reforms early next year.

According to Baron Boudewijn van Ittersum, the bourse's chairman, the difference between the earlier reforms and those scheduled for next year is that "this time we are going to tackle the very core of the trading system itself".

Until now, a central role on the Amsterdam exchange has been reserved for *hoeklieden*, or stock jobbers, who bring together supply and demand by setting prices in the stocks in which they specialise. Often under-capitalised, and frequently criticised for their inability to take large positions, the "hoekmen" are the linchpins of a bourse which traces its history nearly 400 years to the issue of shares by the Dutch East India Company.

Under the proposed reforms, the 23 "hoekmen" firms will go, to be replaced by no more than 10 market "specialist" firms. At the same time, the market will be divided into retail and wholesale segments. In another departure, foreign brokers will be able to take part in the screen-based wholesale market without being present in Amsterdam.

Baron van Ittersum: banks, brokers committed to new system

Seven foreign-based houses have already taken out special membership of the exchange to participate in a new inter-professional trading system for Dutch government bonds.

The retail market will remain the domain of the specialists. The wholesale market will be based around Asset (Amsterdam Stock Exchange Trading System) screens, Amsterdam's answer to Seaq. Completing the new look will be Aida, an inter-professional dealing system modeled on Frankfurt's Ibes.

Although it is partially following Seaq's lead, Amsterdam is consciously stopping short of adopting London's reliance on market-making. "We think the structure we'll have will be stronger than the one London has at the moment, because they lack a retail side and the role of the specialist," Mr van Ittersum says.

The retail and wholesale sides of trading on the Dutch bourse will be linked. Specialists will have to quote firm prices, a stipulation designed to lend support and direction to the screen-based wholesale market, he says.

A crucial test of the new consensus in Amsterdam will come in the autumn, when a committee of "wise men" is due to make recommendations on buying out the bourse's hoekmen, some of whom will be transformed into better-capitalised specialists.

Job losses among the 200-strong staff are inevitable. Members will have to approve the plan before the reforms can go ahead.

McKinsey, the consultancy group, published a report on trading in Dutch shares in late 1992. Before then, any talk of doing away with the hoekman was almost taboo. But McKinsey's survey of investors showed that 40 per cent of trading in Dutch shares had leaked abroad, chiefly to London. The situation in Dutch bonds was even bleaker, with just 32 per cent traded at home, though this came as little surprise.

Perhaps the most worrying statistic was that just 33 per cent of "bloc" trades in Dutch shares, worth more than Fl 1m ($525,000), was conducted in Amsterdam in 1991, against 68 per cent in 1988.

McKinsey also showed that investors, including Dutch ones, were unhappy with Dutch banks and brokerages, complaining of uncompetitive rates and an aversion to taking risks in the market. This accounted for the trend towards seeking the services of foreign brokers, who in turn were more likely to use Seaq than Amsterdam.

Mr van Ittersum said Dutch banks and brokers had now committed themselves to playing an active part in the new system. They will, in any case, "need to stick their necks out" more if they want to continue to create a primary market for the larger, internationally-orientated Dutch companies and to serve the Netherlands' powerful institutional investors, he said.

He noted that of all Europe's bourses, Amsterdam was the most exposed to competition from London. With a small home market and a preponderance of international companies, it relies on foreign buying of shares and, particularly, of bonds.

Because of its greater vulnerability, it is also "the first bourse on the continent that is ready to put a strategy vis-a-vis London into practice", he said.

Europe stands back ahead of German rate decision

By Peter John in London and Patrick Harverson in New York

EUROPEAN government bond markets were yesterday caught in the thrall of the German rate cut debate and held fast ahead of the first signals due today.

GOVERNMENT BONDS

Many economists expect a quarter-point reduction in the all-important German discount rate to 6.25 per cent, which could allow France to lower its 6.75 per cent intervention rate. It would also give other EC members, particularly Belgium, a chance to ease further.

However, high money supply figures last week cast a shadow over the leeway that the members of the Bundesbank Council will have when they return from their summer break for Thursday's meeting.

Analysts are waiting keenly to see whether Germany's repo auction on Wednesday will be fixed at 6.8 per cent or variable. If the latter, the repo could rise slightly, increasing the gap with the discount rate.

The first regional inflation figure is also expected today and could provide an opportunity for easing if it points to a national figure of less than 3 per cent on a three-month annualised basis. German government bond futures on Liffe rose 9 basis points to 97.07.

■ FRENCH debt prices marked time despite the suspension of the emergency 24-hour lending facility set up to counter the wave of franc selling that led to the broadening of the ERM bands at the beginning of the month.

The standard five-day to 10-day lending rate remained at a punishingly high 10 per cent but is expected to fall to the final 24-hour level of 7.75 per cent shortly. French 10-year futures closed two basis points firmer at 122.16. However, the balance of strength was on the shorter end of the yield curve which is more sensitive to interest rate cuts.

■ IN the UK, gilts were firm at the long end, but the sustained rally of recent weeks appeared to lose some impetus.

With no significant domestic data or political factors to concentrate on, dealers waited to see what would happen in Germany. Long gilt futures were up 1/8 at 112 21/32 by the close but the support was not there and turnover was just over a paltry 14,500 contracts.

■ HIGH-yielding markets were enlivened by a rate cut and encouraging inflation data. Spanish Bonos futures lifted more than half a point to 97.58 after the central bank announced a one-point reduction in its intervention rate.

Although not significant in itself economists said the cut heralded an easing in the repo today from its present 10.57 per cent.

In Italy, government bonds responded to the latest consumer prices data that represented encouraging year-on-year inflation of 4.4 per cent, unchanged from the official July figure. They also bounced from a sharp technically inspired fall late last week. Italian bond futures on Liffe lifted half a point to around 111.44.

Portuguese bonds, especially long maturities, closed higher on strong demand from foreign investors who foresaw foreign buying later as interest rates fall.

■ DANISH bonds reacted to a half-point cut in the central bank's 14-day certificate of deposit rate to 10.5 per cent – the first since early August's ERM changes.

Short-term bonds lifted with 9.25 per cent two-year paper rising 0.25 point to 104.75. But the cut failed to impact on longer-term paper – the key 8 per cent Danish state bond due 2003 closed five basis points lower at 108.87 on profit-taking.

■ US TREASURY prices eased slightly yesterday morning in listless trading.

By midday, the benchmark 30-year government bond was down 5/32 at 100 21/32, yielding 6.217 per cent. At the short end of the market, the two-year note was down 1/32 at 100 5/8, to yield 3.927 per cent.

Trading was extremely quiet in the morning, primarily because this is the most popular week on Wall Street for holidays. In the absence of fresh economic news, attention was focused on upcoming supply, although there were reports of continued buying of bonds from overseas investors.

On the supply front, the Treasury is due to auction $16bn of two-year notes today, followed by $11bn of five-year notes tomorrow. Traders said that the short-end of the market eased yesterday in anticipation of the two auctions.

● Lazards, Barclays and James Capel hava won the mandate to lead manage a $100m Euro convertible issue for Shipping Credit and Investment Corporation of India, writes R. C. Murthy in Bombay.

Essar Gujarat floated a Euro convertible with put option, which attracted investors. Shipping Credit is expected to allow a similar put option to its Euro convertible scheduled for launch in October.

FT FIXED INTEREST INDICES

	Aug 23	Aug 20	Aug 19	Aug 18	Aug 17	Year ago	High *	Low *
Govt Secs (UK)	101.66	101.77	102.87	102.38	102.31	87.90	102.38	93.28
Fixed Interest	123.93	124.27	124.51	124.54	124.23	104.51	124.54	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 124.54 (18/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16
Gilt Edged Bargains	92.4	101.2	110.8	103.5	98.8
5-Day average	101.6	105.6	112.7	118.8	121.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	06/03	119.0149	-0.173	6.84	6.84	7.13
BELGIUM		9.000	03/03	112.6000	-0.100	7.11	7.10	7.15
CANADA *		7.500	12/03	103.7500	-0.050	6.96	6.98	7.54
DENMARK		8.000	05/03	105.8700	-0.055	6.72	6.82	7.18
FRANCE	BTAN	8.000	05/98	105.9430	+0.028	5.76	5.77	6.25
	OAT	8.500	04/03	115.0200	-0.050	6.36	6.34	6.79
GERMANY		6.500	07/03	101.2850	+0.120	6.32	6.34	6.51
ITALY		11.500	03/03	109.3500	+0.570	10.201	10.04	11.06
JAPAN	No 119	4.800	06/99	104.2497	+0.245	3.91	3.77	3.86
	No 157	4.500	06/03	101.5922	+0.070	4.27	4.18	4.14
NETHERLANDS		7.000	02/03	105.7000	+0.090	6.16	6.22	6.33
SPAIN		10.300	06/02	105.2250	-0.675	9.39	9.47	10.29
UK GILTS		7.250	03/98	103-13	+3/32	6.36	6.28	6.74
		8.000	06/03	107-12	+8/32	6.96	6.88	7.24
		9.000	10/08	114-31	+6/32	7.54	7.52	7.86
US TREASURY *		5.750	05/03	101-06	+6/32	5.60	5.65	5.94
		6.250	08/23	100-21	+11/32	6.20	6.22	6.71
ECU (French Govt)		8.000	04/03	108.0500	+0.050	6.83	6.87	7.27

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Guinness Mahon to form specialist bond-broking unit

By Tracy Corrigan

GUINNESS MAHON, the UK merchant bank owned by the Bank of Yokohama, is setting up a capital markets operation which will specialise in broking bonds.

"A major capability in the fixed income sector is something I have been seeking for some time," said Mr David Potter, chairman and chief executive of Guinness Mahon.

Guinness Mahon Capital Markets will be headed by Mr Guy Burgun, who previously ran Leu Securities, and will be staffed by 10 former Leu traders.

Leu Securities, part of the Bank Leu group which is majority-owned by CS Holding, was closed down at the end of July and its activities merged with Swiss Volksbank's London operation, to form Swiss Volksbank Securities.

The move was part of a restructuring of subsidiaries of CS Holding, the parent company of the financial group built around Credit Suisse, which bought Swiss Volksbank for SFr1.6bn ($1.05bn) in an agreed takeover in March.

Mr Potter said the development of the fixed income side of the business would provide greater balance, as the company was currently mainly equity-orientated through its stockbroking and corporate finance businesses.

He said: "We will want to focus on developing our presence in the sterling market. We have been successful as an agency broker in equities and will look at the possibility of agency broking in gilts."

However, the firm will not attempt to compete for Eurobond underwriting business. "The barriers for entry into the primary market are too high," he said.

The new unit, which starts trading on September 1, will concentrate on broking less liquid Eurobonds and structuring private transactions.

Bank of Yokohama, Japan's largest regional bank, took over Guinness Mahon in 1991 after the company had suffered heavy losses on leasing, property and commercial loans during the 1980s.

JP Morgan pulls off first 15-year D-Mark offering

By Antonia Sharpe

J. P. MORGAN, the US banking group, brought off a considerable coup yesterday when it arranged the first 15-year bond offering in the D-Mark sector.

INTERNATIONAL BONDS

So far, foreign banks have had only limited success in winning mandates in this important sector of the international bond market. For years it has been dominated by German banks, Deutsche and Dresdner in particular.

Mr Maarten van Eden, head of J. P. Morgan's syndicate desk in London, said that yields on 15-year Dutch and French government bonds were used as a guide when pricing the DM1bn offering for LKB Baden Württemberg Finance, because a German government bond of that maturity does not exist.

The yield differentials between 10-year French, German and Dutch government bonds were also taken into account.

The calculations resulted in a theoretical 15-year bund yield of 6.70 per cent, in line with the yield on French government bonds and 15 basis points above the yield on Dutch government bonds. This compares with a yield of around 6.80 per cent on 15-year German domestic bonds.

LKB's bonds, which carry a coupon of 6½ per cent, were priced to yield 6.68 per cent, or 36 basis points above the 6¼ per cent bund of July 2003. When they were freed to trade, the spread narrowed slightly.

"You can argue that this is aggressive since it prices this issue where you would expect to see the bund," Mr van Eden said. However, he felt that the pricing of the bonds was justified by strong investor demand for long-dated paper, the issuer's triple A rating and closeness to German state risk, and the fact that there were no comparable issues outstanding.

Syndicate managers involved in the deal said that they expected further 15-year D-Mark offerings to emerge now that a precedent had been set.

They reported good demand for such offerings from pension funds and insurance companies which have to match liabilities of a similar maturity. They said that the most obvious borrowers at this area of the yield curve were sovereigns, but that the lack of swap opportunities would limit their scope.

Lehman Brothers also stole the German banks' thunder yesterday when it arranged a 10-year bond issue for LB Schleswig-Holstein.

Demand was such that the issue was increased by DM50m to DM200m. The issuer has an option to change the status of the bonds from senior to subordinated debt.

Lehman Brothers was also active in the Euroyen sector, leading a Y10bn three-year offering of floating rate notes for itself. The notes, which pay interest of 40 basis points above three-month Libor, attracted demand from Asia.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Cie Financière de CIC‡	150	(a)	99.9R	Sep.1998	0.2R	-	Merrill Lynch Intl.
YEN							
Lehman Brothers Holdings‡	10bn	(b)	100R	Feb.1996	undisc.	-	Lehman Brothers Intl.
D-MARKS							
LKB Baden Württemberg Fin.	1bn	6.5	98.25R	Sep.2008	0.4R	+36 (6¼%-03)	JP Morgan, Frankfurt
LB Schleswig-Holstein	200	6.625	99.25R	Sep.2003	0.45R	-	Lehman Brothers Bankhaus
Kasai Kogyo Co.(c)♦	44	1.875	100	Sep.1997	2.25	-	Daiwa Europe (Deutsch.)
FRENCH FRANCS							
Banque Nationale de Paris	1bn	6.5	98.578R	Sep.2003	0.375R	+38 (6¾%-03)	Banque Nationale de Paris
GUILDERS							
ING Bank(d)	200	7	101.95	Sep.2008	1.0	-	ING Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ♦With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor + 0.25%. b) Coupon pays 3-month Libor + 0.4%. c) Fixing: 26/8/93. d) Issue launched on 17/8/93 was increased to Fl400m.

F&C to launch India fund for mid-sized companies

By Antonia Sharpe

FOREIGN & Colonial Management, one of the first fund management groups to give investors access to the emerging markets in Latin America in the late 1980s, is about to launch an open-ended fund investing in medium-sized Indian companies.

India is widely regarded as the emerging market of the 1990s, following the country's introduction of free market reforms.

Some $1bn is already invested in Indian equities through existing closed-end funds. F&C hopes that its fund, Indian Investment Company Sicav, will attract between $50m and $100m during its launch period, which runs from September 6 to October 1.

Mr Sanjit Talukdar, Indico's fund manager, said the fund provided an opportunity to invest in India's medium-sized companies which, he believed, were greatly undervalued.

Trading in the shares of medium-sized companies has become much more liquid in the past three years when turnover in the so-called "B" shares has risen from 15 per cent to 27 per cent of daily turnover which is now $100m.

Mr Talukdar said Indico was the first fund to be managed offshore and to amploy an adviser from the private sector. "This gives us freedom of activity from local advisers," Mr Talukdar said.

Until the introduction of new legislation last September, the Indian ministry of finance only gave approval for open-ended funds which were administered by India's public-sector banks.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on August 23

	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	5	24
Other Fixed Interest	3	0	12
Commercial, Industrial	228	330	864
Financial & Property	77	247	493
Oil & Gas	11	26	44
Plantations	0	0	8
Mines	35	27	71
Others	21	56	44
Totals	427	691	1,580

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd.	Gross Yield	P/E Ratio
120	F.P.	-	147	125	[illegible]	140	-2	-	-	-	-
†130	F.P.	-	188½	150	British Telecom (P/Paid)	179½	-4	W15.6	1.4	4.4	20.7
100	F.P.	-	100	94	Dunedin Japan Inv	96½	-1	-	-	-	-
-	F.P.	-	55	38	Do Warrants	52	-2	-	-	-	-
100	F.P.	-	102	96	EFM Small Co's Trt.	98		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]							
160	Nil	28/9	26pm	18pm	Sedgwick	[illegible]	
240	Nil	22/9	40pm	32pm	TT Group	32pm	-1
10½	Nil	27/9	1½pm	1pm	Willers	1pm	

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 23
- Last Dealings Sept. 10
- Last Declarations Nov. 25
- For settlement Dec. 6

3-month call rate indications are shown in Saturday editions.

Calls: Anglo Pacific, Andaman Res., Avesco, Cannon St., Croda, Ferranti, Glenchewton, Grand Met., Medeva, Pentos and Smith New Court. Puts: Babcock, Burton and Smith New Court.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls			Puts		
[illegible]							
Ladbroke (*208)	200	15½	23½	28	9½	15½	21½
	220	6½	14½	17	22	27	33½
Utd Biscuits (*374)	360	27½	38½	42	12	21½	28½
	390	12	24½	27½	29	27½	46
Option		Oct	Dec	Mar	Oct	Dec	Mar
Fisons (*177)	160	23	26	30	3½	7½	11½
	180	9½	14	19	12	17	22
[illegible]							
Blue Circle (*267)	260	13½	22½	29½	5½	16	21
	280	4	13	20½	16½	26	32
British Gas (*330)	330	7	15	22	6	16½	28
	360	1	6	10½	31	38½	40
Dixons (*227)	220	14	25½	32½	8	12½	17½
	240	5	18	21	16½	23	27½

August 23 Total Contracts 15,971
Calls 8,251 Puts 7,720
FT-SE Index Calls 2,801 Puts 1,670
Euro FT-SE Calls 566 Puts 1,916
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Mon Aug 23	Day's change %	Fri Aug 20	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.98	+0.05	128.92	1.89	7.49
2	5-15 years (23)	154.82	+0.08	154.66	1.55	8.10
3	Over 15 years (9)	173.55	+0.16	174.01	1.08	8.55
4	Irredeemables (6)	204.28	-0.43	205.14	3.37	7.35
5	All stocks (63)	150.54	-0.09	150.64	1.80	8.50
	Index-Linked					
6	Up to 5 years (2)	186.11	+0.04	186.03	0.38	3.47
7	Over 5 years (11)	180.42	+0.07	180.29	0.79	3.42
8	All stocks (13)	180.13	+0.07	180.01	0.85	3.41
9	Debs & Loans (65)	142.63	+0.38	142.09	1.86	7.62

	AVERAGE GROSS REDEMPTION YIELDS		Mon Aug 23	Fri Aug 20	Year ago (approx.)
	British Government				
1	Low	5 years	6.45	6.47	8.89
2	Coupons	15 years	7.17	7.18	8.97
3	(0%-7¾%)	20 years	7.29	7.29	8.97
4	Medium	5 years	6.56	6.57	9.55
5	Coupons	15 years	7.31	7.33	9.22
6	(8%-10¾%)	20 years	7.39	7.40	9.14
7	High	5 years	6.75	6.76	9.89
8	Coupons	15 years	7.54	7.54	9.43
9	(11%-)	20 years	7.58	7.58	9.31
10	Irredeemables (Flat Yield)		7.44	7.41	9.18
	Index-Linked				
11	Inflation rate 5%	Up to 5 yrs.	2.82	2.83	4.36
12	Inflation rate 5%	Over 5 yrs.	3.29	3.30	4.58
13	Inflation rate 10%	Up to 5 yrs.	1.81	1.81	3.58
14	Inflation rate 10%	Over 5 yrs.	3.11	3.11	4.39
15	Debs &	5 years	7.82	7.88	10.79
16	Loans	15 years	8.18	8.22	10.53
17		25 years	8.31	8.33	10.38

Rea and UBS in Lloyd's venture

By Richard Lapper

REA BROTHERS, the small independent merchant bank, and UBS, a subsidiary of the Union Bank of Switzerland, are joining forces to explore new investment opportunities at the Lloyd's of London insurance market.

A pathfinder prospectus for a £35m investment trust backed by the two groups and supplying capital to a range of Lloyd's syndicates could be issued in early October.

The two groups aim to list Finsbury Underwriting Investment Trust on the Stock Exchange.

A final decision to go ahead is dependent on the publication of a detailed rule book governing the operation of "incorporated Names" by Lloyd's early next month.

Approval by existing Lloyd's Names, the individuals whose assets currently supply the market's capital base, will also be required. Names are due to meet on October 20 to vote on the market's initiative to attract corporate capital.

"We are fairly confident that if rules are promulgated we can move ahead as we plan to. But there are no guarantees," said Mr David Lyons, a director of Rea Brothers.

In particular, Lloyd's will need to reassure investors that they will not be liable for liabilities arising from old insurance policies underwritten before 1986. Lloyd's announced in April that it will transfer all such liabilities to a new company, establishing a ring fence to protect new investors.

"There must be absolute confidence that people will not be funding past losses. The ring fence must work," explained Mr Lyons.

Rea Brothers and UBS will work with Wren Underwriting Agencies and Finsbury Asset Management.

Investments of some £35m will allow Lloyd's syndicates to accept up to some £60m in premium income, making the scheme less ambitious than some others currently being considered by a range of US and UK banks and finance houses.

BZW and Sedgwick Lloyd's Underwriting Agents are working on a scheme to raise at least £100m to form a new investment company, while James Capel and Samuel Montagu are involved in a separate scheme which could raise up to £250m.

Kleinwort Benson is understood to be examining the formation of an investment trust which support syndicates managed by Sturge Holdings. Salomon Brothers, JP Morgan, SG Warburg, Phoenix Securities and Chase Manhattan are among other companies involved in Lloyd's corporate capital initiatives.

Lloyd's hopes to raise at least £500m in corporate capital boosting capacity at the market in 1994 by £1bn.

GA plays down US asbestosis claims

By Richard Lapper

GENERAL ACCIDENT, the composite insurance company, yesterday insisted that it was fully reserved against asbestosis claims arising from a US court judgment earlier this month.

Fears that GA's exposure to the claims, which arise from underwriting operations in Australia, weakened the company's share price yesterday, leading to a 5p fall on the day to 687p.

The claims concern public liability policies bought by CSR, the Australian building materials and mining group, and were made by US workers injured by asbestos mined and exported by a CSR subsidiary, Midalco, at the Wittenoom asbestos mine in Australia.

The insurance policies in question were written between 1955 and 1978. In the latest stage of a complex and long-running liability suit a Mississippi court ruled against CSR on August 5. CSR was ordered to pay damages of $2m (£1.3m) to four plaintiffs.

GA said yesterday that the risks were reinsured, that it was fully reserved and that the claims were "irrelevant in the context of GA's current level of business."

GA is also in litigation with CSR on these matters and a result was unlikely to be reached for "several years".

Guinness Peat shows sharp increase to £6.75m

By David Blackwell

GUINNESS PEAT Group, the UK investment vehicle of New Zealand entrepreneur Sir Ron Brierley which took over Brown Shipley Holdings in March, reported a sharp rise in pre-tax profits for the first half of 1993.

Profits came to £6.75m, compared with £3.15m for the nine month period ended June 1992, when the company changed its year end.

GPG attributed the rise to a good performance from its main asset, Tyndall Australia, the life assurance and fund management company in which it has a 56 per cent stake. In addition the group cited the unwinding of its joint venture with Brierley Investments in Rossington, owner of the majority of Australian Consolidated Investment, which has oil and brewing interests.

Turnover was steady at £13m, in spite of the difference in accounting periods. Interest payable fell to £222,000 (£701,000).

The acquisition of Brown Shipley has proved 'very complementary to GPG's UK operations'

GPG paid £5.6m for Brown Shipley Holdings, the investment and broking business arm of the UK merchant bank. Yesterday the group said the acquisition had proved "very complementary to GPG's UK operations." It contributed £280,000 after-tax in the last two months of the latest period.

Mr Blake Nixon, GPG director, said the purchase of Brown Shipley was "the sort of thing we expect to do quite regularly in the UK." The group would be looking for companies that would respond to its skills.

Last November GPG regained its stock market listing after a suspension lasting nearly two years. The suspension was imposed because GPG was considered a shell company with no underlying business activity.

Mr Nixon said the suspension had held the company back. "It tied us up in huge amounts of non-productive work. Now we can focus on the basic business."

Earnings per share were 0.86p (0.71p) after payment of minority interests of £1m (£661,000).

The shares closed yesterday at 28½p, up 2p on the day.

Inclemency corks future for HWC

By Peter Pearse

Hail and blight can now be added to over-expansion, crippling debt and management incompetence on the list of main causes behind the collapse of UK companies.

The Hungerford Wine Company has entered voluntary liquidation, in large part because the harvests of 1991 and 1992 were rendered disastrous by heaven-sent afflictions, according to Mrs Shirley Jackson, provisional liquidator from Begbie Norton, the insolvency practitioner.

She said that HWC's cash-flow had been hit by the lack of product to sell, and this was in spite of no lack of customers in the fine wine market.

HWC specialised in the top sector of the fine wine market and especially in the Bordeaux *en primeur* trade, selling to private consumers and collectors. It has wine laid down in bonded warehouses for more than 1,500 customers.

Mr Nick Davies, owner and managing director, had explored all potential routes to reconstruction, she said, but none had borne fruit. His main concern now was to ensure that clients could take delivery of their wines, perhaps on payment of a levy for storage and transportation.

Mrs Jackson herself is allergic to wine.

Holmes recovery hits setback with tumble to $133,000

By Peter Pearse

HOLMES PROTECTION, the US security group quoted in the UK, suffered a setback to its recovery in the six months to June 30, when pre-tax profits fell from $1.47m to $133,000 (£89,000).

Mr Richard Hickson, chief executive since Mr Eric Kohn resigned in May, said the reorganisation of the group had involved the "clean-up of both its balance sheet and its operations".

The former – it had been necessary to clear the $73m of debt built up in the acquisitive 1980s and had resulted in the note-holding banks now controlling 53 per cent of Holmes' equity – had been achieved, he said, though it had taken longer than anticipated. This in turn delayed the progress of the latter, which is now only two thirds complete.

Mr Hickson said that both he and Mr Kohn had been cautious not to repeat Holmes' old mistakes. Therefore there had been a delay in the intended programme of acquisition of subscriber monitoring contracts. The rate of subscriber cancellations had fallen 79 per cent year-on-year in the first half, and was the lowest since 1986.

Group turnover slipped to $27m (£28.3m), of which monitoring and service of alarm systems contributed $20.6m ($21.5m). Net operating costs rose to $13.6m ($12.4m). Mr Hickson said that Holmes had been spending "general and administration" money on its European strategy, with little to show for it. While Holmes Protection in the UK was still operating, activities on the Continent have now been delayed.

Interest costs rose to $282,000 ($195,000) as debt rose to $3m ($1.5m) at the period-end. Holmes was forced to borrow from its bank when in March it had to cancel a share placing, after an investor, thought to be Faisal Finance (Switzerland), failed to honour its agreement to pay for 1m shares. Legal proceedings continue in Switzerland.

Earnings were 0.1 cents (3.3 cents) per share.

EC ruling against Ladbroke in France

By David Gardner in Brussels

LADBROKE, the hotels, racing and property group, has suffered a setback in its long-running attempts to penetrate the French market for betting on horse racing, the second largest in Europe after the UK.

The European Commission has turned down its complaint that Pari Mutuel Urbain, France's monopoly tote operator, was infringing EC competition rules by refusing to supply Tierce Ladbroke, its Belgian subsidiary, with audio-visual images of French horse races.

Tierce Ladbroke is the leading bookmaker in Belgium, where its operations along the French border have indirect access to France's horse racing.

Ladbroke claimed discrimination and abuse of a dominant position by PMU, because the French monopoly supplies pictures and sound of French races to Deutscher Sportverlag Kurt Stoof of Cologne for the use of German bookmakers.

The EC has decided that PMU is entitled to choose, market by market, whether or not to provide its services to off-track betting operators. PMU has chosen not to do so at all within Belgium, the EC said. "The situation would be different if [it] decided to give licenses to certain bookmakers [in Belgium] while refusing them to others."

Cowies realise £5.24m from share disposal

Sir Tom Cowie, who is stepping down at the end of the year as chairman of T Cowie, the motor dealer and bus and coach operator he founded, has sold part of his holding in the company.

Sir Tom and Lady Cowie have disposed of 1m and 500,000 shares respectively at 260p each, in line with yesterday's market price of 261p. The disposal realised £5.24m and leaves the chairman with a stake of 4.69 per cent.

BTR awarded £55m aircraft parts contract

BTR has been awarded a £55m contract by Industri Pesawat Terbang Nusantara, Indonesia's state-run aeronautical company, to manufacture parts for the N250 passenger aircraft.

The N250 is a 64-seat turboprop regional aircraft which is being built by IPTN at Bandung, Indonesia. The contract is for the supply of the tyres, wheels, brakes and anti-skid equipment for the aircraft.

The wheels and brakes will be supplied by Dunlop Aviation Division – part of the BTR Aerospace Group – in partnership with Aircraft Braking Systems Corporation, a US manufacturer.

Dunlop Aviation Division will team-up with Magnaghi of Italy in the manufacture of the brake control and anti-skid systems, while Dunlop Aviation Tyres Division – also part of BTR – will supply the nose and main bias tyres for the aircraft.

BTR also announced it was to invest some £10m (£6.7m) in a new 45,000 sq ft plant in the US for its Eaton Technologies automotive accessories arm.

Investments boost Hibernian to I£8.9m

By David Blackwell

HIBERNIAN Group, the Dublin-based insurance and financial services company, reported a 2.3 per cent increase in first-half pre-tax profits from I£8.65m to I£8.85m (£8.23m).

Increased underwriting losses of I£8.46m (I£6.35m) were more than offset by a rise in investment income to I£17.3m, up from I£14.7m.

Mr Cecil Hayes, general manager finance, described the result as "very satisfactory," pointing out that in the 1990 and 1991 first halves underwriting losses were I£13.5m and I£11.1m respectively. Last year's first half had been exceptionally good with no weather-related claims, whereas the 1993 first half had suffered an increase in the number and cost of claims.

The increase in investment income was attributed to strong cash flows and the high levels of interest in Ireland in the early part of the year before devaluation, and the rise in the equity and bond markets since.

Life profits were I£53,000 (I£312,000), reflecting the development costs of an acquisition.

General insurance premium income rose 8.7 per cent to I£89.6m (I£82.4m) and life premium income rose to I£49.3m (I£21.1m).

Earnings per share increased to 11.3p (11p) and the interim dividend is raised to 2.3p (2.1p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aerospace Eng	fin	0.5	Oct 8	0.5	0.75	1
Copymore	int	2.5	Sept 28	1	-	1
Hibernian	int	2.3§	Sept 20	2.1	-	6.2
WPP	int	0.35	Nov 30	nil	-	nil

Dividends shown pence per share net except where otherwise stated. §Irish currency.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Pool Purchase Price (p/kWh)	Pool Selling Price (p/kWh)	Pool selling price
0030 – 1900	[illegible]	[illegible]	[illegible]
1930	26.06	24.09	28.12
2000	25.61	22.24	26.26
2030	33.98	21.98	35.00
2100	38.01	22.24	26.27
2130	38.01	32.27	36.60
2200	32.97	34.00	36.37
2230	24.74	34.00	38.42
2300	24.66	23.82	27.31
2330	24.12	22.98	27.11
2400	19.07	20.68	24.86

Prices are determined for every half-hour in each twenty-four hour period. [illegible] ©Energy Settlements and Information Services Limited

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 23, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights August 23, 1993 [illegible] European Currency Unit Rates August 23, 1993 [illegible]

Abbreviations: [illegible] Monday, August 23, 1993

COMPANY NEWS: UK

Hodgson confirms thirst for Hoskins

By Philip Rawstorne

MR HOWARD Hodgson, one of the more flamboyant entrepreneurs of the 1980s, yesterday returned to the London stock market as the biggest shareholder and chief executive of Hoskins Brewery, the Leicester-based real ale brewer.

The move, which ends almost a year of friction between the brewer's board and disgruntled shareholders, added 20p to the company's shares when dealing resumed on the USM after a three-month suspension. The shares closed at 76p.

Mr Hodgson said yesterday: "I believe Hoskins represents an excellent opportunity for us to expand the business into a substantial public company with growing profits and earnings."

He heads a new but experienced management team with Mr James Roe, a former director of NM Rothschild, who becomes non-executive chairman; Mr Shaun Dowling, chairman of Harlstone Group and a former director of Guinness, and Mr Bill Caldwell, who retired last year after 22 years as a partner in Price Waterhouse, are appointed non-executive directors.

Coopers & Lybrand have been appointed as the company's financial adviser, and Peel Hunt as its stockbroker.

Mr Hodgson has paid £303,500, or 55p a share, to acquire a 9.6 per cent stake in Hoskins from the Hoar brothers who have been running the company. Other members of his team have bought a further 3.4 per cent.

Mr Barrie Hoar, the former chairman, and Mr Robert Hoar, a director, together with their families, have also disposed of another 9.5 per cent holding which has been placed with institutions.

The Hoars, who have twice faced shareholder moves to remove them in the past year, received about £715,000 from the deals which value the company at £3.14m. The family retains a 7 per cent interest. Mr Barrie Hoar will remain a non-executive director for the time being but his brother has resigned from the board.

A group of dissident shareholders which had been challenging the Hoar brothers' management of the company yesterday formally withdrew their requisition for an extraordinary meeting.

Mr Hodgson approached the Hoars a week ago after the collapse of Hoskins' negotiations with Swithland Estates, a private company run by Mr Adam Page, former chairman of Midsummer Leisure. Swithland was proposing to reverse some of its theme bar businesses into Hoskins - which owns four pubs as well as a brewery - in exchange for 41 per cent of the equity.

"James Roe and I spent several months putting our team together and searching for the right opportunity," Mr Hodgson said.

The new team aims to increase distribution of Hoskins' beers, building present production from 1,300 barrels a year to 5,000, but has no ambitions to become a large-scale pub retailer.

"In view of the narrow base of its business operations, the company's best long-term interests may well be served by developing the business into complementary areas," Mr Hodgson said.

The company plans to embark on a series of acquisitions though Mr Hodgson said no targets had yet been identified.

"Our intention is to look for mature businesses, not start-ups or turnrounds, that are cash generative and in expanding markets. Our small head office - to which we have yet to recruit a finance director - would act as a portfolio manager, overseeing a number of profit centres rather than getting involved in the day-to-day running of the businesses."

Mr Hodgson used similar acquisitive tactics to build his family firm of funeral directors, which he bought for £14,000, into PHKI, the UK's largest quoted funeral services company with a capitalisation at one time of £100m.

In the process, he transformed the public image of the undertaker by introducing stretched Volvo limousines in midnight blue and dressing his staff in Portland grey livery.

He was named USM Entrepreneur of the Year in 1987 but resigned as chairman of the company in 1991, selling his shares for an estimated £6.5m.

Last year, he published a book about his experiences, entitled How To Become Dead Rich.

Trevor Humphries

Going down well: Howard Hodgson's move saw Hoskins' shares rise 20p from their suspension price

Cost cutting behind recovery at Aerospace Engineering

AEROSPACE Engineering turned round from a pre-tax loss of £2.16m to profit of £214,000 in the year to April 30, adjusting for the FRS 3 accounting changes.

The final dividend is held at 0.5p. Following the cut at the interim stage, however, that gives a total of 0.75p, against 1p. Earnings per share were 0.75p (losses 3.76p).

Mr John Davis, chairman and chief executive, said the recovery was achieved after absorbing £122,000 (£1.12m) costs relating to disposal of businesses, £51,000 (£742,000) restructuring costs, and against difficult trading conditions in most of the UK markets.

The aerospace sector, in particular, suffered from weak demand exacerbated by severe competition in an over-supplied market, he pointed out.

Much of the improvement was the result of the programme to reduce costs and gearing and improve efficiency, and also to the divestment of businesses. Group activities were now focused on electronics and aerospace.

Mr Davis said while UK demand for circuit boards remained patchy, overseas sales were rising steadily. Conditions in the international aerospace markets were still depressed.

The sale of Forward Industries in June had a significant impact on the balance sheet, reducing debt by £2.61m. At the close of the year total debt was £5.33m (£9.21m), supported by shareholders' funds of £11.8m, reducing gearing from 79 per cent to 49 per cent.

Capital expenditure of £750,000 has been authorised for equipping a new microwave circuit board facility and £500,000 in a new "clean room" status printed circuit board.

Copymore advances to £758,000 midway

COPYMORE, the USM-quoted office equipment company, lifted pre-tax profit from £506,000 to £758,000 for the six months to June 30.

In part to compensate shareholders for the omission of a final dividend last year, the interim is increased from 1p to 2.5p, payable from earnings of 4.5p (3p) per share.

Mr Stephen Matthews, chairman, said turnover rose 15 per cent to £17.2m (£14.9m).

The result reflected the efforts of the sales team and determination to control and centralise fixed costs, as well as integrating new acquisitions, particularly National Technical Services.

As yet there was no real sign of recovery in the office automation market, but he was confident of a satisfactory outcome for the year.

Combined full year service revenues from the acquired Solutions II group and Concorde Copiers were expected to be £1.45m. Gearing had been cut from 134 per cent to 111 per cent. Interest cover improved to 6.8 times.

Mr Matthews is leaving the board at the end of the month to concentrate on other interests.

COMMODITIES AND AGRICULTURE

Copper traders expect Japanese output cuts

By Kenneth Gooding, Mining Correspondent

JAPANESE COPPER smelters are likely to cut output soon, removing up to 200,000 tonnes of annual supply from the market, according to traders and analysts.

The cuts are expected because of weak demand in Japan itself and because the charges smelters make for treating copper concentrates, an intermediate material, are falling.

The Highland Valley mining company is reported to have completed a deal recently with Mitsubishi, Dowa and Sumitomo of Japan for between 65,000 and 75,000 tonnes at treatment charges of US$102 a tonne, substantially below the $115 to $120 a tonne levels negotiated earlier this year between miners and custom smelters.

"If, as we expect, the concentrates market continues to tighten, treatment charges will move increasingly in favour of the miners," says Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal/Dutch Shell group.

"Some observers believe that the Japanese smelter pool, which is exporting copper for less than it would get in its protected domestic market, will cut output and reduce its demand for concentrates."

Mr Ted Arnold, metals specialist at the Merrill Lynch financial services group, suggests that in the short term there is "a very good floor" under the three-month London Metal Exchange copper price at 80 to 83 cents a lb. However, "if the Japanese smelters start to cut back production in coming weeks, as we and many other observers expect, then copper prices will stabilise at a higher level".

One complicating factor is a deal being put together by a big trading house for some consumers to give them guaranteed long-term copper prices. This may be completed by the end of August. "When the deal is concluded there may be a temporary price setback," says Mr Arnold. But, "if the pricing deal results, as more and more observers think it will, in the withdrawal of 100,000 tonnes of copper from LME warehouse stocks, then copper prices are unlikely to fall far for very long".

In Merrill's latest Weekly Futures Report he says that, although copper stocks are high, "they can hardly be described as crushing at around eight weeks of consumption".

Mr Arnold says Merrill is not expecting "runaway copper prices. But price surges up to the 90 to 95 cents a lb area in coming months would not surprise us".

In Billiton's latest Metals Report, Mr MacMillan argues that fears about a lack of world copper smelting capacity are unfounded. A tightness in capacity last year was eased by merchants shipping concentrates to remote locations such as the Commonwealth of Independent States and Zambia for treatment, he points out.

While some greenfield smelter projects have been cancelled, additions to existing smelters will add more than 700,000 tonnes of annual capacity between 1992 and the end of 1994. Also, nearly half the 972,000 tonnes of new annual copper mining capacity by the end of 1996 would use the SX-EW (solvent extraction-electro winning) technology which dispenses with the need for conventional smelting plants.

Estimates vary, but there is a broad consensus that SX-EW now accounts for more than 10 per cent of total western world refined copper output compared with 7 per cent in the mid-1980s, Mr MacMillan points out. "This proportion is likely to rise to about 15-16 per cent during the second half of this decade and could be as high as 18 per cent by the year 2000. By 1994 the production of copper by the SX-EW route will almost certain exceed 1m tonnes."

Oil prices rise further on Nigerian unrest

By Deborah Hargreaves

NORTH SEA Brent crude prices edged up 11 cents in light trading yesterday with oil for October delivery reaching $17.09½ a barrel as the market searched for direction amid conflicting signals.

Prices were pushed upwards yesterday by market fears over the civil unrest in Nigeria and the possibility that a general strike called for Wednesday could affect oil loadings.

The threat of an Iraqi return to the market, which caused so much price volatility last month, has abated for now. The Iraqis are pushing the United Nations for a complete lifting of sanctions rather than the one-off oil sale that was previously under negotiation.

But the oil price is unlikely to show much of a rise beyond $17 a barrel before the next meeting of the Organisation of Petroleum Exporting Countries on September 25 since countries are continuing to over-produce. Opec output is estimated at 24.8m barrels a day - 1m b/d higher than the ceiling.

"The market is trying to grapple with a number of crucial issues, but at least mentally, it's still on holiday," said Mr Peter Gignoux, head of Smith Barney's energy desk in London.

Opec officials have estimated that the call on Opec oil from production and stocks will run to 26.02m b/d for the final quarter of the year. Since stock levels are fairly high that does not leave much room for a production increase.

Fungus spoils appetite for US wheat

Laurie Morse on a disease that is adding to exporters' problems

DISCOVERY OF a poisonous fungus in the US spring wheat crop prompted a jump in US wheat prices last week and threw wheat buying agencies in Japan into nervous consternation. Japan is one of the biggest consumers for high-protein US wheat, and one of the few that pays in cash.

The crop quality concerns have since abated, but are still sufficiently significant, analysts say, to sustain firm prices for high quality wheat worldwide.

The fungus outbreak could not have come at a worse time for US wheat exporters. Winter wheat growers have just completed a healthy harvest and are beginning to realise that their biggest buyers - Russia and China - are drastically trimming their grain import intentions. With production growing and the international wheat trade slowing, the US Department of Agriculture projects world wheat stocks will rise by 2.6m tonnes this year, to 135.21m tonnes.

Good crop prospects and dull export conditions left the US wheat market on the sidelines for most of the summer as relentless rains played havoc in the central Midwest and maize and soyabean prices soared. Except for a small a portion grown on the dry southern and western plains the US winter wheat crop escaped the floods.

Until recently spring wheat crop prospects also appeared excellent. Three weeks ago a group of agricultural specialists and journalists conducted their annual tour of North Dakota and Minnesota spring wheat fields and announced the crop was two to three weeks late because of cool weather, but in superb condition.

"Then," says Mr Jim Peterson, marketing specialist for the North Dakota Wheat Commission, "we got several days of really hot weather, and with so much moisture in the ground, some of the fields were like saunas." The cool developmental period and late steamy conditions fostered a plant disease known as "scab" or "head blight", which produces a fungus that can cause nausea when consumed in sufficient quantities.

Hard red spring wheat is prized for its high protein levels, and is often blended with lower protein winter wheats for bread making.

News of toxins in the first bushels of the North Dakota wheat harvest threw spring wheat futures prices at the Minneapolis grain exchange into a tumult. The September contract rallied 23 cents, to $3.42 a bushel (60lb) in two days, and cash prices soared above $5.50 a bushel as millers bid up the premiums they pay for high protein wheat.

The scurry for protein, traders say, was encouraged by reports that Canada's spring wheat crop was more than three weeks behind normal development and in danger of an early frost. France, the world's biggest high-protein wheat producer, is also experiencing quality reductions because of heavy harvest rains.

Some analysts estimated initially that as much as 20 per cent of the projected 640m bushel US spring wheat crop was affected by the fungus. But crop specialists are now calling the disease problem "localised" and are waiting for more of the crop to be cut. The US Department of Agriculture said last week that as of August 15, only 7 per cent of spring wheat fields had been harvested.

By the end of the week the September spring wheat price had moved back by 20 cents. The earlier rise "was too strong a reaction," says Mr Warren King, market specialist for Cargill Investors Services in Chicago. "Wheat prices are 60 to 70 cents per bushel higher today than they were when the 1988 drought cut the spring wheat crop nearly in half. That doesn't make a lot of sense."

In the meantime, US wheat exporters are trying to calm their best customers. Japan dithered over its regular weekly offers last week, but its buyers are expected to be back in the US wheat market again today. "They are being cautious," says Mr Greg Dowd, crop specialist with the export marketing group US Wheat Associates.

He thinks that China will buy only about 2.5m tonnes of US wheat this year, less than half of its purchases three years ago. Russia, with a good crop of its own and lingering credit problems at the USDA, may take only donated US wheat this year. The former Soviet Union bought 6m tonnes of US wheat last year. "We'll have to scramble pretty hard to make up for loss of business that size," Mr Dowd says.

In its August 11 crop report the USDA estimated that US wheat stocks would climb to 741m bushels this year, from 529m last year, mostly because of fading export prospects.

Minero Peru sets mine price at $30m

STATE-OWNED Minero Peru has fixed the base price for its Cerro Verde copper mine to be sold off on October 13 at $30m, with a minimum investment requirement of $60m, the company's president, Mr Raul Otero, said yesterday, reports Reuter from Lima. The $30m is to be in cash and the investment is to be over five years.

Mr Otero said the investment pledged by 19 of the potential bidders who qualified would be a key factor as Minero was unable to develop the second stage of the mine for lack of financing and it would signal the bidders' long-term plans.

The figures would be kept low to allow each of the 19 qualifiers to assess the mine's worth. They are at present making analyses of the mine to verify its reserves.

Latest studies show that Cerro Verde, located in the southern region of Arequipa, has a potential output of 100,000 tonnes of copper a year.

Natal sugar growers struggle against drought

SUGAR GROWERS in Natal are struggling to save what they can of the drought-stricken 1993-1994 crop, which is expected to yield only 1.2m tonnes, down 300,000 tonnes from last year and 900,000 tonnes below the normal level, according to industry officials, reports Reuter from Durban.

"There was some rain in parts of Zululand but it is not going to do anything to this crop. It might save the cane roots from dying," South African Sugar Cane Growers' Association executive director Mr Rex Hudson said.

He added that the Natal south coast and midlands were the worst affected prodnction areas. Extensive replanting would have to be done as a result of the drought, he said.

Firm Australian prices forecast for 1993-94

THE AUSTRALIAN Wheat Board said yesterday that returns for Australian Standard White wheat of 10 per cent protein were expected to stay firm at Australian $165 (US$105) a tonne for the year ending September 30, 1994, reports Reuter from Sydney.

Mr John Lawrenson, the board's managing director, said that the estimated return was at the top end of the range of forecasts made over the past few months, although it was well down from returns of A$186 a tonne forecast for 1992-93.

The 1993-94 estimate was based on an Australian crop of about 15m tonnes and a continuing build-up of wheat stocks around the world.

The wheat board was more optimistic about returns for high protein, premium grade wheats, Mr Lawrenson said.

"We're estimating a return of A$168 a tonne for Australian hard wheat at 12 per cent protein and A$200 a tonne for prime hard wheat at 13 per cent protein. That's a rise of A$3 and A$10 a tonne respectively above our previous estimates."

However, he said the market for protein premiums this season remained volatile. "They have risen and fallen by as much as A$5 a tonne in the week in recent times and future protein premiums will depend on the quality of the US and Canadian spring wheat crops now being harvested."

Mr Lawrenson estimated that Australia would carry more than 1m tonnes of last season's downgraded wheat into the new selling year, depressing returns for any off-grade wheat produced in the 1993-94 season.

"It's unusual to forecast returns for off-grade wheat so early in the season but growers should be under no illusion as to the difficulty of marketing another large quantity of poorer quality wheat in a world market already over-supplied from last year's damaged crop," he said.

The AWB forecast returns of A$145 a tonne for Grade Pool 1 wheat and A$130 a tonne for Grade Pool 2 wheat for 1993-94.

Aluminium institute projects no permanent cuts in capacity

By Kenneth Gooding

NO PERMANENT cuts in primary aluminium production capacity are planned by producers despite present low prices and market turmoil caused by imports from the Commonwealth of Independent States, according to the latest projections by members of the International Primary Aluminium Institute.

These show forecast capacity in 1996 virtually unchanged from today's in every region except Africa. There Alusaf in South Africa plans a $940m smelter expansion, adding 460,000 tonnes to its present 170,000 tonnes of annual capacity.

The Alusaf project will help African capacity almost double from 657,000 tonnes to 1.2m tonnes by 1996. According to the IPAI, total western world capacity will rise by 4 per cent to 16.7m tonnes Projected mid-1996 capacity in other regions is: North America 6.425m tonnes (6.424m tonnes in 1993); Latin America 2.07m tonnes (2.023m) East and South Asia 1.766m tonnes (1.736m); Europe 3.553m tonnes (3.506m) and Oceania 1.664m tonnes (same).

● Russian output of primary aluminium was 98 per cent of last year's levels in the first seven months of 1993, but nickel production fell to 80 per cent of year-ago levels, according to new government data, reports Reuter from Moscow.

Statistics released by the government press service showed that July primary aluminium production was 100.3 per cent of levels in July 1992.

July nickel production was 71.4 per cent of year-ago levels.

Data on tonnages was not given.

Irkutsk gold row goes to conciliation

By Leyla Boulton, recently in Irkutsk

THE RUSSIAN government and the local authorities in Irkutsk, the region that is home to the disputed Sukhoi Log gold deposit, have set up a conciliatory commission to work out differences over a deal giving a small Australian company a stake in the local gold producer.

Mr Vladimir Dvornichenko, acting head of the regional administration, which initially supported a deal between Lenzoloto and Ster Technology Systems, said on Friday that the administration had turned against the deal because the final terms were agreed without its final support.

The commission was created on Monday last week after the Irkutsk authorities took the State Property Committee in Moscow to court in protest against the terms of the deal.

The State Property Committee, which is responsible for managing state property and privatisation, endorsed the creation of a joint stock company in which Star would hold 31 per cent and which would include Sukhoi Log, Russia's largest bard rock deposit, among the company's assets.

The conciliatory commission includes representatives of all parties concerned except for Star. "At this stage Star is not needed. Star is a victim of, not a party to this conflict," claimed Mr Dvornichenko.

He said that he believed the commission should reconsider the inclusion of Sukhoi Log among the new company's assets, and also remove some other assets from its balance sheet. He said the commission should also seek full and clear information as how the Russian and Australian partners in the deal intended to proceed.

Mr Ivan Zelent, first deputy chairman of the regional parliament, said the local authorities were divided over the issue, and that he believed a final decision should be taken by the court. "We need to start developing the deposit as fast as possible. That will help us increase our local budget revenues."

Separately, the new company also needs to get a licence from the State Geology Committee in Moscow confirming the rights held by its Russian founder to mine Sukhoi Log, which Star previously claimed was unnecessary.

WORLD COMMODITIES PRICES

MARKET REPORT

London's robusta COFFEE futures climbed to the highest levels since the London Commodity Exchange's dollar contract was introduced in March 1991 as the market continued to be aided by concern about nearby supply tightness. The prompt September position touched $1,253 a tonne and the November quotation $1,222 a tonne. The latter closed at $1,220 a tonne, up $18. But dealers said the turnover was fairly light at just 2,825 lots (5 tonnes each) despite signs of continued roaster buying in the physical market, particularly of lower grade beans. COCOA also continued on its recent uptrend, closing with gains of up to £18 a tonne. Dealers said both charts and the market's fundamentals appeared to be pointing towards higher levels. The first objective was to overcome the psychologically barrier at £800 a tonne for the December position, which closed £15 up at £794 a tonne. At the London Metal Exchange three months COPPER surged in the afternoon to end at $1,923.50 a tonne, a gain of $16.50 a tonne from Friday. Traders attributed the rise to commission house buying, possibly including orders on Chinese account.

Compiled from Reuters

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.87-4.97z	+0.13
Brent Blend (dated)	$16.79-6.80	+0.13
Brent Blend (Oct)	$17.09-7.10	+0.11
W.T.I. (1 pm est)	$18.30-8.32z	+.095
Oil products		
(NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$192-194	+1
Gas Oil	$166-167	-3
Heavy Fuel Oil	$61-63	-0.5
Naphtha	$161-163	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$374.00	+0.75
Silver (per troy oz)♦	481.50c	+2
Platinum (per troy oz)	$387.85	+2.25
Palladium (per troy oz)	$126.50	-0.75
Copper (US Producer)	91.00c	+0.5
Lead (US Producer)	33.50c	-1.13
Tin (Kuala Lumpur market)	12.20m	
Tin (New York)	224.5c	+1.5
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	130.77p	-0.47*
Sheep (live weight)†♦	58.07p	-2.91*
Pigs (live weight)†	79.51p	-2.75*
London daily sugar (raw)	$227.2	-5.9
London daily sugar (white)	$252.5	-3
Tate and Lyle export price	£266.5	-5
Barley (English feed)	£169.5	
Maize (US No. 3 yellow)	£149.0	
Wheat (US Dark Northern)	£147.3	
Rubber (Sep)♥	63.00p	+0.25
Rubber (Oct)♥	63.25p	+0.25
Rubber (KL RSS No 1 Jul)	211.5m	
Coconut oil (Philippines)§	$455.0v	+2.5
Palm Oil (Malaysian)§	$360.0u	
Copra (Philippines)§	$280	
Soyabeans (US)	£196.5	
Cotton "A" Index	54.00c	
Wooltops (64s Super)	350p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. [illegible]

COCOA - LCE £/tonne

	Close	Previous	High/Low	
Sep	765	759	769	752
Dec	794	779	795	784
Mar	814	799	815	804
May	824	809	824	812
Jul	832	818	833	824
Sep	844	827	843	835
Dec	859	840	858	852
Mar	869		869	863
May	878		881	872

Turnover: 9023 (3795) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 20 789.52 (797.59) 10 day average for Aug 23 762.67 (757.17)

COFFEE - LCE $/tonne

	Close	Previous	High/Low	
Sep	1251	1230	1250	1225
Nov	1220	1202	1222	1188
Jan	1189	1177	1195	1168
Mar	1175	1161	1175	1152
May	1168	1155	1150	

Turnover: 2825 (1902) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 20 Comp. daily 67.30 (67.33) 15 day average 66.43 (66.23)

SUGAR - LCE ($ per tonne)

White	Latest	Previous	High/Low	
Oct	261.00	260.80	261.50	260.00
Dec	257.00	257.50	257.50	256.50
Mar	259.00	260.30	260.00	258.50

White 962 (1702) Paris- White (FFr per tonne): Oct 1533.43 Dec 1521.85

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low	
Oct	17.16	17.09	17.22	17.09
Nov	17.32	17.26	17.30	17.27
Dec	17.46	17.43	17.52	17.42
Jan	17.51	17.50	17.64	17.51
Feb	17.70	17.65	17.70	17.70
Mar	17.79	17.80	17.79	17.77
Apr	17.83	17.70	17.85	
May	17.91	17.77	17.91	
Jun	17.98	17.90	17.98	
IPE Index	17.07	16.86		

Turnover 10076 (20450)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low	
Sep	165.50	168.25	164.50	169.00
Oct	165.50	164.50	166.25	164.75
Nov	167.50	166.25	168.25	167.00
Dec	169.00	168.50	170.25	168.75
Jan	170.75	169.75	171.75	170.00
Feb	170.50	169.00	171.75	170.50
Mar	168.00	168.00	169.00	168.50
Apr	167.25	166.25	167.25	
May	166.25	164.00	165.50	

Turnover 9849 (7726) lots of 100 tonnes

POTATOES - LCE £/tonne

	Close	Previous	High/Low	
Apr	76.4	76.7	77.4	75.0

Turnover 102 (58) lots of 20 tonnes.

SOYAMEAL - LCE £/tonne

	Close	Previous	High/Low
Oct			

Turnover 0 (0) lots of 20 tonnes.

FREIGHT - LCE $10/index point

	Close	Previous	High/Low	
Aug	1460	1456	1460	
Sep	1480	1475	1465	1455
Oct	1485	1480	1490	1480
Jan	1495	1495	1505	1495
Apr	1505	1510	1505	
Jul	1320	1381	1320	
BFI	1457	1460		

Turnover 185 (290)

GRAINS - LCE £/tonne

Wheat	Close	Previous	High/Low	
Sep	105.00	105.20	105.20	105.00
Nov	108.25	108.50	108.50	108.25
Jan	110.65	108.80	108.50	108.30
Mar	110.50	110.80	110.50	
Barley	**Close**	**Previous**	**High/Low**	
Nov	102.80	102.80		
Jan	105.10	105.10	105.10	

Turnover: Wheat 66 (201) Barley 3 (9). Turnover lots of 100 Tonnes.

TEA

The Tea Brokers' Association reports. Landed there was again strong general demand. Selected best East Africans advanced 4 to 6p but bright liquoring teas tended lower. Mediums were fully firm to dearer particularly colory sorts. Brighter ceylons moved higher [illegible] prices [illegible] this week was 173p for a Rwanda pf.1.

PIGS - LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	98.0	98.5	

Turnover 0 (0) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 48,666 lots
Cash	1145-46	1150.5-1.5		1146.5-7.5		
3 months	1167.5-68	1173-4	1172/1166	1169.5-70	1170-71	238,452 lots
Copper, Grade A ($ per tonne)						Total daily turnover 42,878 lots
Cash	1946-47	1937-8	1936	1936-37		
3 months	1913-14	1904-5	1924/1908	1906-07	1923-24	192,049 lots
Lead ($ per tonne)						Total daily turnover 7,615 lots
Cash	384-88	390.5-1.5	388.5	386-88.5		
3 months	397-98	400-3.5	403/399	399-400	399-401	24,371 lots
Nickel ($ per tonne)						Total daily turnover 5,951 lots
Cash	4645-50	4685-95	4650	4640-50		
3 months	4700-05	4740-5	4750/4675	4705-10	4703-05	45,287 lots
Tin ($ per tonne)						Total daily turnover 3,243 lots
Cash	4810-20	4860-5		4830-35		
3 months	4860-70	4912-5	4886/4865	4880-85	4850-60	11,079 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 35,943 lots
Cash	891-92	888.5-9.5	895/884.5	894.5-95		
3 months	904.5-05	901-1.5	911/902	908-09	911-12	79,182 lots

LME Closing £/$ rate: SPOT: 1.5030 3 months: 1.4929 6 months: 1.4866 9 months: 1.4824

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	373.75-374.25	
Opening	374.00-374.40	
Morning fix	373.60	247.106
Afternoon fix	373.10	247.315
Day's high	374.25-374.75	
Day's low	371.75-372.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.61	6 months	2.55
2 months	2.58	12 months	2.57
3 months	2.57		

Silver fix	p/troy oz	US cts equiv
Spot	316.10	478.25
3 months	320.60	481.70
6 months	324.75	485.85
12 months	333.30	494.75

GOLD COINS

	$ price	£ equivalent
Krugerrand	374.00-377.00	247.00-250.00
Maple leaf	384.10-386.55	-
New Sovereign	89.00-92.00	58.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1175	16	44	32	36
1200	8	33	50	48
1225	4	24	69	65
Copper (Grade A)	**Calls**		**Puts**	
1900	58	86	27	64
1950	34	63	51	90
2000	17	44	84	121
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
1150	108	111	39	50
1200	79	88	59	72
1250	57	68	87	97
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	83	113	14	24
750	65	96	21	32
775	50	80	31	41
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1700	37	-	22	40
1750	17	45	48	63
1800	2	30	-	96

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	372.5	373.4	373.6	372.3
Sep	372.8	373.7	0	0
Oct	373.7	374.6	375.6	373.0
Dec	375.5	376.4	377.3	374.6
Feb	377.3	378.2	378.8	376.5
Apr	379.0	379.9	379.1	379.1
Jun	380.7	381.6	0	0
Aug	382.4	383.3	0	0
Oct	384.2	385.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	387.5	386.9	0	0
Oct	388.5	387.9	390.5	388.0
Jan	389.7	389.1	392.0	390.0
Apr	390.7	390.1	0	0
Jul	391.7	391.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	476.0	478.4	479.5	478.5
Sep	476.3	479.8	484.0	474.0
Oct	477.7	481.2	0	0
Dec	481.0	484.4	489.0	478.5
Jan	481.4	484.8	484.0	484.0
Mar	485.3	489.3	492.5	484.5
May	489.4	492.8	0	0
Jul	492.7	496.1	0	0
Sep	496.2	499.6	501.0	501.0
Dec	501.5	504.9	507.0	499.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	86.10	85.50	86.15	86.00
Sep	86.20	84.95	86.60	84.40
Oct	86.30	85.10	86.10	84.90
Nov	86.25	85.20	86.20	86.20
Dec	86.25	85.35	86.50	84.90
Jan	86.30	85.55	0	0
Feb	86.35	85.70	0	0
Mar	86.45	85.90	86.50	85.70
Apr	86.50	86.05	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	18.38	18.29	18.48	18.30
Nov	18.63	18.56	18.73	18.57
Dec	18.80	18.74	18.91	18.75
Jan	18.91	18.89	19.01	18.91
Feb	19.00	19.01	19.13	19.03
Mar	19.13	19.12	19.23	19.12
Apr	19.20	19.19	19.30	19.18
May	19.28	19.26	19.38	19.28
Jun	19.34	19.30	19.41	19.32
Jul	19.48	19.40	19.47	19.42

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	53.10	52.74	53.40	52.90
Oct	54.20	53.77	54.40	53.85
Nov	55.15	54.75	55.25	55.15
Dec	56.10	55.63	56.20	55.79
Jan	56.60	56.48	56.75	56.50
Feb	56.90	56.66	57.00	56.75
Mar	55.80	55.66	56.00	55.80
Apr	54.70	54.73	0	0
May	54.00	53.93	54.00	53.93
Jun	53.40	53.48	53.55	53.40

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1000	979	1000	978
Dec	1054	1030	1056	1031
Mar	1088	1065	1089	1069
May	1107	1084	1100	1087
Jul	1127	1104	1122	1115
Sep	1148	1125	1137	1130
Dec	1176	1153	1155	1151
Mar	1199	1176	1185	1186
May	1219	1196	1198	1190

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	75.75	72.45	75.90	72.50
Dec	78.25	74.95	78.25	75.10
Mar	80.35	77.30	83.50	77.50
May	81.70	78.40	81.70	80.50
Jul	83.50	80.50	0	0
Sep	84.95	82.00	85.00	84.50
Dec	86.90	83.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.28	9.12	9.33	9.08
Mar	9.47	9.39	9.49	9.37
May	9.57	9.56	9.63	9.50
Jul	9.63	9.63	9.65	9.57
Oct	9.84	9.69	9.66	9.58

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	55.48	55.03	95.50	55.08
Dec	56.48	56.08	56.60	55.98
Mar	57.88	57.57	57.94	57.50
May	58.65	58.20	58.75	58.50
Jul	59.38	58.85	0	0
Oct	59.33	59.65	59.78	59.73
Dec	60.40	60.10	60.10	59.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	120.10	118.60	120.90	118.10
Nov	123.45	121.90	124.75	121.25
Jan	124.90	123.15	125.40	122.55
Mar	126.80	124.40	126.95	124.50
May	127.45	124.90	127.25	127.60
Jul	127.45	124.00	127.00	125.00
Sep	125.45	122.00	0	0
Nov	125.45	122.00	0	0
Jan	125.45	122.00	0	0

INDICES

REUTERS (Base September 18 1931 = 100)

Aug.23	Aug.20	mnth ago	yr ago
1613.5	1616.0	1709.2	1518.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.20	Aug.19	mnth ago	yr ago
Spot	122.68	123.35	122.57	116.13
Futures	124.75	123.84	128.63	115.40

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	673/8	667/6	675/4	668/0
Nov	675/4	668/2	676/6	668/0
Jan	681/8	674/0	682/4	675/0
Mar	686/0	677/4	686/4	679/4
May	686/2	680/0	687/0	681/0
Jul	687/6	681/0	688/4	682/0
Aug	683/0	678/0	683/0	678/0
Sep	650/0	645/0	651/0	646/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.79	23.48	23.81	23.50
Oct	23.95	23.62	23.98	23.68
Dec	24.18	23.85	24.20	23.93
Jan	24.27	23.96	24.27	24.06
Mar	24.43	24.12	24.43	24.20
May	24.49	24.20	24.50	24.37
Jul	24.47	24.25	24.50	24.25
Aug	24.35	24.15	24.35	24.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	218.3	214.7	218.6	214.2
Oct	214.3	212.5	214.6	212.0
Dec	213.9	211.9	214.8	211.7
Jan	214.0	211.6	214.2	211.7
Mar	213.9	210.7	214.0	211.5
May	213.5	211.0	213.5	211.5
Jul	212.7	210.0	213.0	211.5
Aug	211.2	208.0	211.5	210.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	238/4	236/6	239/0	237/2
Dec	246/4	243/2	248/0	243/6
Mar	253/4	250/6	254/4	251/4
May	257/6	256/6	258/2	256/6
Jul	260/0	258.0	260/2	259/0
Sep	251/4	251.0	252/0	250/4
Dec	243.6	244/0	245/0	243/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	309/6	310/4	313/0	309/4
Dec	315/6	318/2	319/4	315/4
Mar	317/4	317/4	320/4	317/4
May	312/0	311/4	314/2	311/2
Jul	301/0	301/6	304/0	301/0
Sep	305.0	306/0	0	0
Dec	312/2	309/0	312/2	312/2

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.675	75.000	74.750	74.425
Oct	74.300	74.575	74.400	73.900
Dec	75.125	75.425	75.175	74.925
Feb	75.625	75.950	75.725	75.400
Apr	76.600	76.775	76.650	76.400
Jun	73.375	73.575	73.500	73.275
Aug	72.150	72.175	72.115	72.100

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	50.500	51.225	50.975	50.275
Oct	45.375	45.775	45.700	45.250
Dec	45.775	46.075	45.900	45.550
Feb	45.450	45.600	45.600	45.150
Apr	44.175	44.400	44.300	44.100
Jun	49.100	49.250	49.250	49.000
Jul	47.900	48.150	0	47.900

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	39.050	41.050	41.050	39.050
Feb	47.675	48.500	48.150	47.300
Mar	47.375	46.200	47.600	47.000
May	47.800	48.500	48.050	47.800
Jul	50.000	52.200	0	50.000

LONDON STOCK EXCHANGE

Traders undismayed by profit-taking

By Terry Byland,
UK Stock Market Editor

INVESTORS in London remained unconvinced of the prospects for cuts in UK interest rates in the near term, and the UK stock market followed the downward trend set yesterday in the other leading European bourses. London investors took a cautious view of the latest cut in rates in France. Some stock was sold but traders showed no dismay in the 15.6 fall to 3,042 on the FT-SE 100 Index. Profit-taking was not unexpected in view of the market's strong upswing and comfort was drawn from a steadier performance in UK government bonds.

There was some playing between the September future contract on the Footsie and the index stocks themselves, but activity in the futures sector was never large enough to play a significant role in equities. Sterling remained steady and it was an early fall of 16 Dow points on Wall Street that took the heart out of London in the closing minutes of the session. Also unsettling were suggestions that a large rights issue is in the offing, perhaps from MB-Caradon or in the building and construction sector.

The general air of malaise also hung over the second line stocks, which have fared so well in the market advance. The FT-SE Mid 250 index lost 15 points to 3,467.4, while trading in these smaller capitalised stocks made up around 64 per cent of the day's Seaq total of 546.8m shares. On Friday, 633.4m shares traded through Seaq reflected retail, or customer, business of £1.58bn.

Customer business, having traded since last September at the £1bn-plus levels regarded as profitable for the London-based securities trading industry, has risen sharply over the past month as share prices have soared to new territory above the Footsie 3,000 mark.

With the influence of transatlantic markets now challenged by last week's poor trade figures from the US, international blue chips lost some of their recently revived confidence. Pharmaceuticals, in particular, shaded lower again, casting doubt over the rally in share prices in the sector, which provided a significant boost to the UK market last week. Glaxo, Wellcome and most other drug leaders lacked support yesterday.

Nor was the picture much brighter on the domestic scene. Retail issues tried to edge forward at first as London took a fresh look at comments on German interest rate policies made in the US on Friday by the Bundesbank's vice-president, but support soon dwindled and the sector closed lower.

The banking segment, also closely linked to interest rate prospects since lower rates would ease some of the sector's burden of non-performing debts, again took its cue from a poor performance from HSBC, which was still depressed by last week's gloomy half-time statement from Hang Seng Bank, its Hong Kong subsidiary.

However, the stock market rallied from the day's low point on the Footsie index of 3,035.6 and equity strategists professed to be willing to see the index down to the 3,020 area before the present phase of profit-taking would cause any reconsideration of medium-term views on UK equities. The satisfactory level of retail trading volume indicated that the big institutions were trading stock, rather than merely selling. "Consolidation is the name of the game," was the comment from several leading trading houses.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	3,200	84½	+½
Abbey National†	1,000	306	
Albert Fisher	1,600	70	
Allied-Lyons†	1,700	612	-3
Anglian Water†	315	529	-1
Argos	1,500	330	+3
Argyll Group†	2,600	348	-5½
Arjo Wiggins†	1,800	198	+1
Assoc. Brit. Foods†	429	528	-1½
Ass. Brit. Ports	320	468	+2
BAA†	286	782	+2
BAT Inds.†	2,300	478	-6
BET	1,300	121	-½
BICC	1,200	388	-9
BOC†	628	650	-2
BP†	4,700	298½	
BPB Inds.	1,700	249	-2
BT†	6,100	423	-4
BT PPaid	16,000	179½	-4
BTR†	3,400	393½	-3½
Bank of Scotland†	3,900	163	-4
Barclays†	2,700	497	+1
Bass†	1,300	516	+1
Blue Circle†	2,800	268	+2
Booker	463	438	-3
Boots†	1,500	485	-1
Bowater†	540	498	
Brit. Aerospace†	1,600	435	-14
British Airways†	2,400	349½	-1½
British Gas†	8,300	330½	-1
British Land	1,600	380	-7
British Steel†	2,900	112	+1
Bunzl	253	137	
Burmah Castrol†	305	778	-5
Burton	458	81	-1
Cable & Wire.†	2,100	842	-2
Cadbury Schweppes†	1,300	484	-9
Calor Group	778	254	+7
Carlton Comms†	154	805	
Coats Viyella†	490	243	-1
Comm. Union†	1,700	621	-8
Cookson	2,300	226	
Courtaulds†	855	565	-4

	Volume 000's	Closing Price	Day's change
Dalgety	134	490	-5
De La Rue†	98	707	-2
Dixons	954	208	
Eastern Elec.	255	525	-1
East Midland Elec.	203	519	-3
Eng China Clays	502	464	
Enterprise Oil†	500	428	-3
Eurotunnel Units	210	444	-17
FKI	314	152	-1
Fisons	911	177	+1
Foreign & Col. I.T.	505	251	-2
Forte†	1,100	229	-3½
Gen. Accident†	695	687	-6
General Elect.†	3,900	350	+2
Glaxo†	2,300	583	-3
Glynwed Intl.	297	308	-3
Granada†	470	436	+1
Grand Met.†	1,600	451	+2
GUS A†	600	2048	-42
GRE†	1,100	206	-3
GKN	220	498	-4
Guinness†	4,300	504	+1
HSBC (75p shs)†	4,500	707	-18
Hammerson 'A'	499	387	+1
Hanson†	12,000	264¼	-1
Harrisons Crosfield	328	192	-2
Hillsdown	1,700	170	-1
IMI	178	300	-6
ICI†	2,700	691	-2
Inchcape†	878	544½	-½
Johnson Matthey	42	465	-3
Kingfisher†	1,900	674	-12
Kwik Save	302	742	+4
Ladbroke†	6,000	209	-8½
Land Securities†	1,000	663	-7
Laporte	278	631	-11
Legal & General†	792	468	-1
Lloyds Abbey	568	433	
Lloyds Bank†	3,900	533	+5
LASMO	4,600	139	+2½
London Elect.	158	525	-2
Lonrho	698	128	-½
Lucas	2,100	152	-2

	Volume 000's	Closing Price	Day's change
MB Caradon†	297	314	
MEPC	311	488	-2
MFI	1,600	138	-1½
Manweb	9	572	
Marks & Spencer†	3,000	364	-1
Midlands Elec.	211	550	+2
Morrison (Wm.)	209	154	
NFC†	806	267	-4
NatWest Bank†	3,400	488	+5
National Power†	580	357	-3
Next	1,000	201	-3
North West Water†	642	524	
Northern Elect.	34	573	
Northern Foods†	1,900	277	+5
Norweb	35	571	+2
Pearson†	583	480	
P & O†	1,800	657	-1
Pilkington	1,100	151	
PowerGen†	1,400	380	-5
Prudential†	2,900	337	+3½
RMC†	228	787	-7
RTZ†	1,300	698	+1
Racal	400	258	-2
Rank Org.†	858	770	-12
Reckitt & Colman†	441	667	-2
Redland†	1,400	549	-6
Reed Intl.†	1,200	710	-1
Rentokil†	701	206	+2
Reuters†	511	1511	-14
Rolls Royce	3,500	155½	-1
Rothmans†	882	688	-2
Royal Bk Scotland†	386	289	-1
Royal Insurance†	2,700	227	-7
Saatchi	1,700	184	-2
Sainsbury†	1,200	513	-6
Scottish & New.†	855	489	-3
Scot. Hydro-Elect.†	138	370	-1
Scottish Power†	987	358	+½
Sears†	7,800	115	-½
Sedgwick	1,700	195	
Seeboard	28	578	
Severn Trent Water†	857	543	+2
Shell Transport†	1,100	651	+½

	Volume 000's	Closing Price	Day's change
Siebe†	832	548	-10
Slough Ests	669	238	-4
Smith (W.H.) A	747	466	-11
Smith & Nephew†	3,500	145	-½
SmithKline Beecham†	3,400	448	-7
SmithKline Beecham Uts.†	380	398	+1
Smiths Inds.	801	375	-10
Southern Elec.	37	586	-1
South Wales Elec.	11	594	-1
South West Water	201	563	-4
South West. Elec.	41	536	+1
Southern Water	187	560	+6
Standard Chartd.†	868	943	-18
Storehouse	147	227	-2
Sun Alliance†	1,400	388	-6
T&N	536	218	-3
TI Group†	843	356	-3
TSB†	3,500	201	-3
Tarmac	16,000	148½	+1½
Tate & Lyle†	3,800	405	-3
Taylor Woodrow	898	131	-3
Tesco†	3,500	229	-4
Thames Water†	890	544	+4
Thorn EMI†	386	977	+4
Tomkins†	1,200	261	-3
Trafalgar House	1,100	107½	-1
Unigate	742	385	-2
Unilever†	1,300	1060	+4
United Biscuits†	1,300	377	-4
Utd. Newspapers	39	593	-3
Vodafone†	13,000	555	-9
Warburg (SG)†	413	789	-10
Wellcome†	788	742	-3
Welsh Water	157	623	-5
Wessex Water	49	628	-1
Whitbread 'A'†	795	525	-4
Williams Hldgs.†	753	342	-6
Willis Corroon	1,800	241	+6
Wimpey	15	183	-3
Wolseley†	117	638	
Yorkshire Elect.	367	568	+1
Yorkshire Water	224	565	-1
Zeneca†	1,200	696	-6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

First Dealings:		
Aug 16	Sep 6	Sep 20
Option Declarations:		
Sep 2	Sep 16	Sep 30
Last Dealings:		
Sep 3	Sep 17	Oct 1
Account Day:		
Sep 13	Sep 27	Oct 11

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3042.0 -15.6	3467.4 -15.0	1510.98 -7.03

	Aug 23	Day's change %	Aug 20	Aug 19	Aug 18	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj. ytd	Total Return
FT-SE 100	3042.0	-0.5	3057.6	3066.5	3073.8	2311.1	3.77	5.57	21.88	[illegible]	[illegible]
FT-SE Mid 250	3467.4	-0.4	3482.4	3488.8	3494.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1524.9	-0.5	1532.4	1535.5	1539.9	1116.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-A ALL-SHARE	1510.98	-0.5	1518.01	1521.01	1524.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible: sector index rows 1 CAPITAL GOODS to 99 FT-A ALL-SHARE]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3050.2	3054.4	3045.0	3044.4	3038.2	3037.2	3038.7	3039.9	3042.1	3056.4	3035.6
FT-SE Mid 250	3479.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1529.3	1531.3	1528.7	1528.3	1527.7	1527.9	1525.6	[illegible]	1524.9	1531.7	1523.3

Time of FT-SE 100 high: [illegible] low: 12.20pm

FT-SE Actuaries 350 Industry Baskets

[illegible: Construction, Health & H., Water, Banks rows]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible fine print]

Heavy trading in Tarmac

THE building area of the market was again rife with speculation that a heavy cash call is in the offing from Tarmac, still regarded as one of the UK's biggest house-builders.

Talk of a £200m rights issue from Tarmac has been in the market for some time, but building sector specialists are now looking for the group to call on its shareholders to boost its balance sheet and take advantage of the expected recovery in the UK housing market.

Tarmac shares have performed well in recent sessions, in spite of the persistent talk of a big cash call. Last week saw the shares feature prominently in the list of the most heavily traded stocks. Yesterday the shares were the London market's most active with more than 16m changing hands after a weekend during which the Sunday press highlighted the probability of a large fund-raising operation. Yesterday's turnover was the highest in a single session since December 1992 and included a single trade of 6m shares dealt at 145½p.

The share price rose to 150p yesterday, fractionally below the year's peak, before slipping back and closing a net 1½ up at 148½p. Tarmac shares have staged a strong recovery over the past year, picking up from an all-time low of 53p, reached in September 1992.

Tarmac's interim results are scheduled for September 28. Building specialists said, however, that those figures could well be brought forward to accommodate a sizeable rights issue call. One leading analyst said a £200m issue "would come as no great surprise", adding that Tarmac is seen as one of the sector's bellwethers, with substantial exposure at both the light and heavy end of the market. "The market has been well and truly softened up for a cash call," he added.

Foods strong

In a market that lacked strong features, the spotlight fell on Northern Foods, which turned out to be the best performer in the FT-SE 100 in percentage terms, following a broker's recommendation.

Agency broker Carr Kitcat visited the company last Friday and issued a strong buy recommendation, predicting 10 per cent earnings and dividend growth in each of the next two years.

Investors sent the shares climbing 5 to 277p, an improvement of around 1.7 per cent on the day. Volume was however no more than average at 1.8m by the close.

Vodafone deals

Much of the activity in Vodafone, the second best performer in the FT-SE 100 index came from two exceptionally large trades carried out in mid-afternoon. The first, a block of 6.3m shares, traded at 553½p and the second, a block of 3m, at the same price.

Vodafone shares have risen by more than 14 per cent in the two weeks, as cellular stocks benefited from a rerating after the AT & T bid for McCaw, the US cellular group. The big US institutions were seen as keen buyers of Vodafone while some of the UK market's leading analysts have been busy promoting the shares in the past few sessions. Activity in Vodafone yesterday was believed to be US-sourced.

Shares in MB-Caradon eased a penny to 314p, amid talk that it will soon announce a one-for-fours rights issue at 280p a share, to fund its acquisition of RTZ's Pillar division. RTZ firmed 2 to 698p.

Among transport stocks, the departure of the chairman of Union Railways, the British Rail subsidiary responsible for the Channel Tunnel rail link hit Eurotunnel sending the shares falling 17 to 444p.

A decline on the Hong Kong market and renewed worries about the recent poor results from the bank's Hang Seng subsidiary saw HSBC dip 18 more to 707p of good turnover of 4.5m. The concerns about profitability in the far east also took their toll on Standard Chartered whose shares dropped 15 to 943p.

Lloyds Bank, affected last week by switching operations, staged a minor rally, closing 5 up at 533p. NatWest rose a similar amount to 486p. Royal Bank of Scotland eased a penny to 289p after Scottish Equitable confirmed it was the big seller of the shares last Friday.

National Express were in demand ahead of next month's interim figures, and they added 4 to 261p.

The oil sector was boosted by another session of above-average turnover in the likes of Lasmo and Calor. The latter jumped 7 to 256p, after 258p following a buy recommendation issued by Hoare Govett whose oil team described the shares a "cheap income play with improving fundamentals."

Lasmo continued to attract strong speculative support as last week's takeover stories and talk of a general restructuring in the UK exploration and production sub-sector continued to circulate in the market place. Lasmo shares settled a further 2½ higher at 139p with turnover of 4.6m, well above usual levels of activity. Turnover last Friday reached a very substantial 14m, after a week of unusually high activity, leading many oil sector specialists to the view that something may be up in the sector.

Enterprise Oil, despite a push from one of the market's leading broking firms yesterday morning, suffered later in the day, eventually closing 3 off at 428p.

News from Aran Energy's drilling operations in the Celtic Sea came as a disappointment to the market with the shares sliding 4½ to 31½p.

Shares in French theme park Euro Disney came under pressure, losing 3 per cent of their value after the chairman warned of high levels of debt and current difficult trading. The shares closed 20 off at 620p.

Mr Nigel Reed at Paribas Capital Markets believes the company will "need an injection of finance to keep it going."

Talk that the chairman of Ladbroke may be thinking of retiring, following weekend press reports that were denied by the company, along with the appointment of a chief executive for Ladbroke's Texas Homecare subsidiary put the shares under pressure. They fell 9 to 209p, in active trading of 6m shares.

Market watchers pointed out that the appointment of a new CEO at Texas who was to be on Ladbroke's main board suggested the company planned to continue its involvement in the Do-it-yourself market, which is currently suffering difficult market conditions.

Continued fears that Rank Organisation's holiday business will lose out to increasingly cheaper overseas holiday's once again dogged the shares leaving them trailing 12 to 770p. On the other hand, the current price war in overseas holiday's for next year is expected to boost earnings at Airtours. The shares gained 5 to 378p.

Confirmation that the Hoar family had sold a 22.57 per cent stake in USM-listed Hoskins, the Leicester-based brewing, pubs, and hotels group, boosted trading in the stock, sending the shares ahead. A majority of the holding was bought by a team led by the entrepreneur Mr Howard Hodgson, and the rest placed with institutions. The shares jumped 20 to 78p.

Radio stocks continued to benefit from a Smith New Court review on the sector. Capital Radio added 10 to 225p, while Chiltern Radio firmed 8 to 78p, and USM-Listed Metro firmed 5 to 190p.

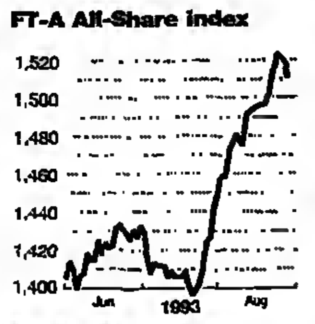
Nervous trading in Weir Group, ahead of Thursday's interim figures, left the shares 14 off at 351p. Continued worries about the future of its proposed £250m regional jets joint venture with Taiwan continued to overhang British Aerospace, weakening the shares. At the day's low point the shares were down 21 at 428p, but they later rallied off the bottom on talk of "some progress" in talks in Taiwan. BAe shares were hit last week by reports of differences between the two sides in the financing of the project.

Profit-taking in Smiths Industries, saw the shares fall 10 to 375p.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo.

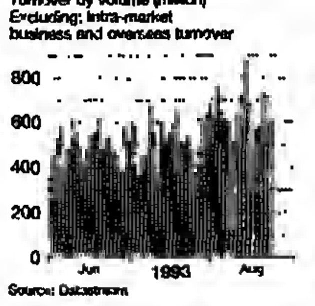
■ Other statistics, Page 18

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (142). BRITISH FUNDS (1) Treas. 3pc '95, AMERICANS (1) Unisys, BANKS (1) Banco Santander, BREWERS (2) Regent Inns, Wetherspoon, BLDG MATLS (1) Sheffield Insulins, [illegible] ... MEDIA (3) Capital Radio, Elsevier, MMI Wts., MTL & MTL FORMING (5) Castings, Cooper (Fr), Motsec, Richards, Saville Gordon, MISC (9) Bluebird Toys, Calderburn, Copymore, Headlam, Holders Tech., Norbain, Relyon, Ricardo, Silentnight, MOTORS (4) Channel, ERF, Quicks, Trinity, OIL & GAS (1) Ammox, OTHER FINCL (8) SWD, Quinnon Peat, INVESCO 8pc Cv. '95-00, Jupiter Tyndall, Lon. Forfaiting, Perpetual, OTHER INDLS (3) McKechnie, Metrotect, Vinten, PACKG, PAPER & PRINTG (4) Bemrose, Boxmore, Field, Macfarlane, PROP (11) Allied Lon. 5¾pc Pf., BDA, Bilton, Chesterfield, Dorian, Derwent Valley, Development Secs., Frogmore Ests., Green Prop., Smith (J), Southend Stadium 5¾pc Pf., STORES (8) Blacks Leis., Carpetright, GUS, Mallett, Menzies, Tie Rack, TELE NETWORKS (1) Securicor, TEXTS (1) Rexmore, TRANSPORT (5) Fisher (J), IoM Steam, Natl. Express, Ocean, Seacon, MINES (1) CRA.
NEW LOWS (5).
CANADIANS (1) Breakwater, CHEMS (2) Hickson, Plysu, HOTELS & LEIS (2) Euro Disney, First Leis.

FINANCIAL TIMES EQUITY INDICES

	Aug 23	Aug 20	Aug 19	Aug 18	Aug 17	Year ago	*High	*Low
Ordinary share	2373.4	2384.1	2394.6	2406.1	2388.2	1713.7	2406.1	2124.7
Ord. div. yield	3.88	3.87	3.85	3.84	3.90	5.22	4.32	3.84
Earning yld % full	4.59	4.57	4.55	4.53	4.70	7.56	6.36	4.53
P/E ratio net	27.83	27.96	28.08	28.16	27.18	18.71	28.16	19.40
P/E ratio nil	25.70	25.82	25.93	26.01	25.14	15.56	26.01	18.14
Gold Mines	197.8	197.7	201.5	197.0	198.0	82.4	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2406.1 18/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35. Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2379.2	2381.6	2377.2	2376.9	2371.0	2371.2	2372.8	2372.5	2373.6	2384.2	2370.5

Volume	Aug 23	Aug 20	Aug 19	Aug 18	Aug 17	Year ago
SEAQ Bargains	33,507	33,643	41,398	39,268	32,735	18,919
Equity Turnover(£m)†	-	1582.0	1746.2	1920.5	1428.7	666.6
Equity Bargains†	-	39,199	45,430	43,773	37,831	20,280
Shares traded (mil)†	-	606.3	711.5	735.3	581.5	282.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
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LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 High	1993 Low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 High	1993 Low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 High	1993 Low	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

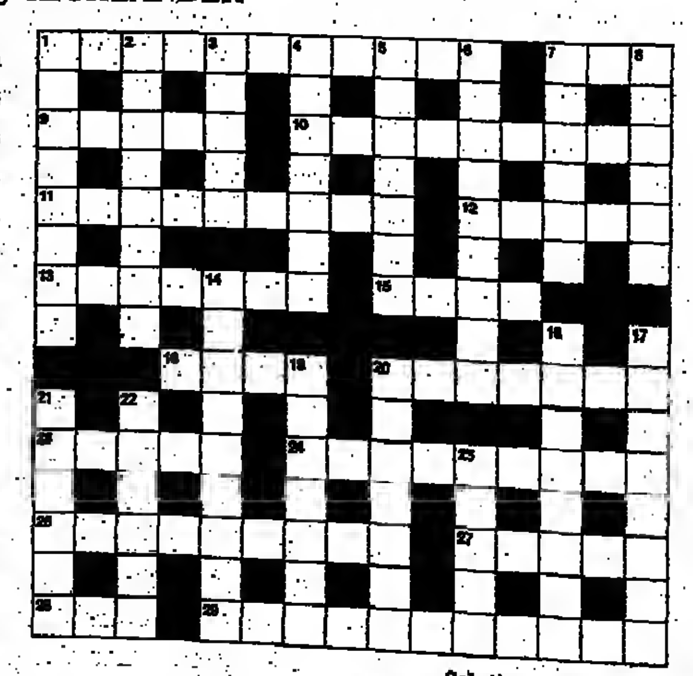
OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 High	1993 Low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

CROSSWORD

No.8,236 Set by HIGHLANDER

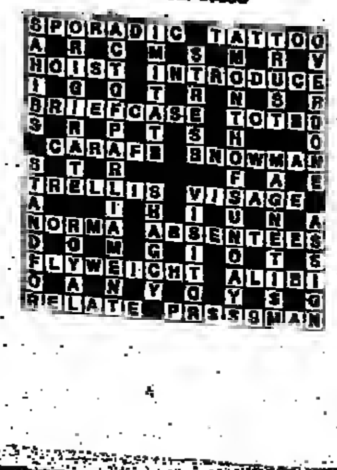


ACROSS
1 Tailor needs one to record old-time dance (4,7)
7 Was in session during weekend (3)
9 Be wicked again and take sap from plants (5)
10 Titian sale without a first discount (9)
11 Unable to reproduce gather on hat (9)
12 Cruel form of running sore (5)
13 Silver a key without making it everlasting (7)
15 The plot sex appeal in the Home Counties (4)
18 Shakespeare? Not all owed to say (4)
20 Corrupt heads of BR and again profit from rail agreement (7)
23 Greek character fit out in civvies (5)
24 Next to a pine surface (9)
26 Painted the town red - tried rose originally (9)
27 Heath in hysterical appeal to EC (5)
28 Was under an obligation to hear piece of poetry (3)
29 Extremely skilful people take time to evaluate show (11)

DOWN
1 Final session in the French round (8)
2 Job available - no charge for delivery (4-4)
3 Motorway - and not less important (5)
4 Bearing on girl pilot's close shave (3,4)
5 In Paris one has to get in line to strip off (7)
6 Come across printer's type size calculator (9)
7 Bridge partners badly want to tell tales (6)
8 Plain fish starts to develop rose inside (6)
14 Came up with a diet designed to make thin (9)
16 Herb in charge of a church? (8)
17 Not old enough for extraordinary nude craze (8)
19 Drawing on help, raised weight (7)
20 Make wider path into Scottish mountain (7)
21 Involved more by something at an early stage (6)
22 Bad frost but post is delivered (6)
25 Visitor is supposed to be announced (5)

JOTTER PAD

Solution 8,235



EQUITY FUTURES AND OPTIONS TRADING

TRADING volumes were much reduced in the London derivatives markets yesterday as the underlying equity market moved into what was clearly a consolidation phase. A further cut in Bank of France interest rates failed to ignite the UK market.

The futures market tried to move higher at first, encouraged by wider reporting in London of remarks on interest rates on Friday by the vice-president of the Bundesbank. But, with European markets easier, it was soon clear there was limited basis for interest rate optimism in London.

The September contract drifted down for the rest of the session, closing at 3,056 for a premium against cash of 11 points, compared with estimated Fair Value at 6. Dealers commented that, while this premium was quite satisfactory at this stage in the life of the contract, it reflected no great enthusiasm. Volume of 6,709 contracts was unexciting.

Very poor business was reported in traded options. Total volume fell from 29,111 contracts on Friday to 15,983 yesterday, with the FT-SE contract trading only 4,449 against 6,475. The actives list was headed by the Euro FT-SE (2,482) with Lasmo (1,567) again attracting speculative attention as investors pondered the implications of the Monpolies and Mergers Commisssion report for British Gas. Also busy was BAe at 686 contracts.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price $	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		[illegible]	[illegible]	[illegible]	15⅝	14,384	2.7
Allegheny & W	♥	629p	-18	722p	309p	326.9	3.2
Amdahl		339p	-9	591p	302¼p	380.7	1.0
Amer Cyanamid		[illegible]	[illegible]	[illegible]	[illegible]	3,144	3.4
Amer Express		[illegible]	[illegible]	[illegible]	[illegible]	10,467	3.1
Amer T & T		[illegible]	[illegible]	43¼	[illegible]	61,533	2.3
Amoritech		[illegible]	—	[illegible]	46	23,424	4.7
Anheuser-Busch		[illegible]	[illegible]	41¼	[illegible]	8,457	3.0
BankAmerica		[illegible]	[illegible]	[illegible]	[illegible]	10,754	3.1
Bankers NY		[illegible]	[illegible]	[illegible]	[illegible]	4,203	4.0
Bell Atlantic		[illegible]	[illegible]	[illegible]	[illegible]	16,291	4.8
BellSouth		[illegible]	[illegible]	[illegible]	[illegible]	17,845	5.2
Bethlehem Steel	♥	[illegible]	[illegible]	[illegible]	[illegible]	803.3	-
Bowater		1344p	[illegible]	1662p	1287p	487.9	3.0
CPC		[illegible]	[illegible]	[illegible]	[illegible]	4,456	2.9
California Engy		1232p	—	1479p	1086p	224.3	-
Chase Manhattan		[illegible]	[illegible]	[illegible]	[illegible]	3,453	3.7
Chrysler		[illegible]	[illegible]	[illegible]	[illegible]	7,943	1.5
Citicorp		[illegible]	[illegible]	[illegible]	[illegible]	7,905	—
Colgate-Palm		[illegible]	[illegible]	[illegible]	[illegible]	5,129	3.0
Cont'l Bank		1584p	—	1877p	1278p	1,800	2.5
Dana		[illegible]	[illegible]	[illegible]	[illegible]	1,641	3.0
Data General		595p	-11	801p	527p	164.2	-
Diversa Inds	♥	109p	—	146p	109p	-	-
Dun & Brad.		[illegible]	—	[illegible]	[illegible]	7,084	4.2
Exxon		[illegible]	[illegible]	[illegible]	[illegible]	2,135	2.6
Fluor		[illegible]	[illegible]	[illegible]	[illegible]	1,122	2.4
FPL		[illegible]	[illegible]	[illegible]	[illegible]	4,769	0.3
Ford Motor		[illegible]	[illegible]	[illegible]	[illegible]	15,985	2.9
Gen Elect		[illegible]	[illegible]	[illegible]	[illegible]	55,726	2.6
General Host	♥	480p	+24	723p	456p	—	5.0
Gillette		[illegible]	[illegible]	[illegible]	[illegible]	7,910	1.6
Hasbro		[illegible]	[illegible]	[illegible]	[illegible]	1,815	0.8
Honeywell		[illegible]	[illegible]	[illegible]	[illegible]	3,434	2.4
Houston Inds		65	—	[illegible]	[illegible]	3,805	6.7
Ingersoll-Rand		[illegible]	[illegible]	25	[illegible]	2,520	1.9
Lockheed		[illegible]	[illegible]	[illegible]	[illegible]	2,554	3.4
Loews		2636p	-60	2748p	1573p	1,824	0.8
Marr Technology		303p	+18	330p	127p	—	-

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Ptg	♣	218	-3	225	1.16	-	222.7	2.9
Warrants		498	—	505	225	-	-	-
Scot East	♣□	78½	-½	81½	92½	2.4	89.8	12.0
Scottish Inv	♣†□	214	-2	221	183	2.7	248.0	13.7
Warrants	□	66½	-½	67	38	-	-	-
Scot Mortgage	♣□	220½	-1	225	173	2.3	241.2	8.6
Scot National Inc	♣k□	97xd	—	97	83	9.7	-	-
Cap	□	33	—	35	16	-	98.7	88.9
Stepped Pf		158¼xd	—	158½	150¼	4.9	-	-
Zero Dw Pf		225½	+½	225½	207	-	-	-
Warrants		4½	—	0	2½	-	-	-
Scot Value	†a□	92	—	92½	71	2.4	92.0	8.0
Sec Alliance	♣†	1588	-2	1592	1390	2.9	1691.5	6.0
Second Consid.	□	186	-1	188	88	-	212.7	12.8
Second HSSC	□	102	—	104	101	-	-	-
Second Market	♣s	375	—	378	256	8.7	387.8	3.3
Sec Tst Scot	♣□	87½	-½	89	74½	4.8	88.5	1.3
Select Assets	□	160	—	157	109½	8.0	178.8	12.8
Eq Ind Sert		147	—	147	128	3.8	-	-
Eq Ind SertL		147	—	147	128	3.6	-	-
SHIRESCOT	♣u	140xd	—	140	104	4.7	139.6	-1.0
Shires	♣M	283	—	285	231	7.4	276.8	-2.2
Slam Select		148	—	150	95	0.9	159.9	0.7
Warrants		45	-1	48	15	-	-	-
Smaller Cos	□	121	+1	131	78	2.5	127.1	-2.7
Warrants		01	—	01	14	-	-	-
Sphere Inc	□	33½	-½	35	14	11.9	44.1	24.6
Zero Dw Pf		91½	—	01¼	88¼	-	-	-
Units		505	—	695	785	-	-	-
Sorell		87	—	87	78	2.8	95.5	0.8
TR City of Lon	□	149xd	-1	152	126	4.0	143.3	-4.0
TR Euro Growth	♣□	124	-1	120	76	1.4	133.8	0.1
Ptg Sub		67	—	68	27	2.5	-	-
TR Far East Inc	♣†□	155xd	-3	164	112	3.6	150.3	-3.1
Warrants		67	-1	67½	22	-	-	-
TR High Inc		132	—	132	102	5.7	124.1	-5.9
Sub	g	27	—	27	25	5.3	-	-
TR Pacific	♣□	159	-4	168	110	0.3	150.8	-5.1
TR Prop	♣□	28½	-½	32	17	3.8	35.1	15.8
TR Smaller	♣□	194	-½	195	146	2.4	195.1	0.5
TR Technology	♣□	65	—	96	47	2.3	230.4	59.6
Units		2550	—	2650	2010	1.5	2695.2	5.4

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

STORES

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ)
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☼ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ∥ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
7 Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
8 Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 stg.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 419, Chester X, CH99 9DD 0244 [illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	143.8	144.1	154.0	-0.77	1.90
Do Accum	5½	161.2	161.4	172.6	-0.77	1.90
UK Sel P'folio	5½	120.2	130.9	139.3	-0.92	2.44
Do Accum	5½	135.9	135.7	145.1	-0.92	2.44

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364042

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	0	69.01	69.79	74.25	—	3.44

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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State Street Unit Trust Mngmt Ltd (1400)F
28 King Street, London SW1 6QW 071-344 7000

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global A	5¼	[illegible]	3.765	3.989	—	1.21
US Equities (u)	5¼	$2.176	2.176	2.313	—	1.15
Far East Equities (u)	5¼	[illegible]	246.5	261.5	—	—
Japan Equities (u)	5¼	[illegible]	250.1	265.6	—	—
FT Europe (u)	5¼	120.2	120.2	127.8	—	2.04
FT Asia American (u)	5¼	$1.732	1.732	1.838	—	1.30
FT Japan (u)	5¼	[illegible]	249.6	265.3	—	—
FT Asia Ex Japan (u)	5¼	$2.000	2.010	2.144	—	1.42

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	345.5	345.5	368.7	-2.0	0.32
(Accum Units) ♥	5	407.3	407.3	434.1	-2.4	0.32
British	5	1004.6	1004.6	1063.1	-5.2	3.62
(Accum Units)	6	1761.4	1761.4	1863.6	-9.1	3.62
Emerging Markets	5	113.3	114.1	121.5	+0.1	0.20
(Accum Units)	5	113.5	114.3	121.7	-0.1	0.20
European	5	412.9	412.9	433.6	-1.0	1.31
(Accum Units)	5	453.4	453.4	481.6	-1.1	1.31
Japan	5	156.3	150.3	165.0	+0.8	—
(Accum Units)	5	157.6	157.6	167.2	+1.3	—
New Pacific	5	317.6	318.6	340.4	-1.1	0.96
(Accum Units)	5	330.2	334.9	358.7	-1.2	0.96
Investment Tst	5	204.6	206.7	218.1	-1.1	1.62
(Accum Units)	5	228.3	230.7	244.5	-1.2	1.62
Mngd Equity	5	190.7	161.4	170.8	-0.6	1.47
Mngd Equity Acc	5	175.6	176.9	187.2	-0.7	1.47
Mngd Cash	0	95.90	95.90	95.90	+0.00	5.17
(Accum Units)	0	128.8	128.8	128.8	—	5.17
Majority Stg	1	100.05	100.05	101.08	+0.03	4.94
Majority Stg Acc	1	115.79	115.79	115.96	+0.03	[illegible]

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 [illegible]

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	763.9	765.0	819.1	-0.6	2.77
North America	0	118.1	110.1	127.4	-0.7	0.18
Far East	6	132.7	132.7	141.6	-1.4	0.38
W'wide Bond	6	63.46	63.46	66.31	-0.06	5.70
European	0	88.29	89.29	95.50	-0.38	0.60
Equity Income	6	[illegible]	88.66	95.04	-1.05	3.66
Portfolio	0	78.34	78.34	83.79	-0.78	0.58
UK Leading Cos	6	54.67	55.35	58.81	-0.75	2.76

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed Aug 16	316.6	330.2	—	–

Prudential Corporate Pension Funds
55 King's Road, Reading RG1 3AH 0734 494852

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Aug 11	£242.16	250.78	+2.79	–
Equity Aug 11	£271.53	281.07	+3.29	–
International Aug 11	£41.59	42.69	+0.55	–
Intl Bond Aug 11	£21.21	21.48	+0.31	–
Fixed Int Aug 11	£130.13	131.61	+1.40	–
Index Linked Aug 11	£94.63	98.58	+0.80	–
Property Aug 11	£111.15	117.34	—	–
Cash Aug 11	£33.78	33.78	+0.04	–
Pru-Linked Retirement Plan				
Managed Aug 11	574.70	580.70	+8.70	–
Cash Aug 16	305.60	316.60	+0.20	–
Prudential Pensions Investment Account				
Pens Mngd Aug 16	238.60	250.80	-0.30	–
Pens Mngd A	104.40	109.90	+0.18	–
Pens UK Eq	395.80	428.20	+1.40	–
Pens Intl	257.90	212.60	-0.50	–
Pens Global Eqty	132.80	139.80	+0.20	–
Pens Fixed	293.80	310.00	-2.00	–
Pens Index Lk	238.00	252.00	-0.30	–
Pens Property	90.46	95.70	—	–
Pens Cash	199.80	210.30	—	–
Money Purchase Plan				
Discretionary (2)	133.70	143.30	-0.40	–
Equity (2)	138.30	140.90	-0.20	–
International (2)	133.80	142.80	-0.70	–
Global Equity (2)	138.05	146.40	-0.30	–
Intl Bond Feb (2)	146.10	153.70	-0.40	–
Fixed Interest (2)	146.40	154.00	-0.20	–
Index Linked (2)	130.70	137.30	-0.30	–
Property Feb (2)	101.20	111.20	+0.40	–
Cash (2)	115.50	121.30	+0.10	–

Prudential Individual Life Funds
55 King's Road, Reading, RG1 3AH 0734 494852

Series I Life Funds

[illegible]

Scottish Amicable - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Others				
Capital Guarantee Bond	104.4	109.9	-0.50	–

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	238.8	251.0	-0.5	–
UK Equity	227.1	239.0	-0.9	–
International	240.8	253.3	-0.2	–
American	238.2	250.6	—	–
European	225.5	237.4	-1.6	–
Japan	255.7	269.1	+2.2	–
Pacific	336.2	353.9	+0.2	–
Technology	314.1	330.6	+0.1	–
Fixed Interest	181.2	190.7	+0.2	–
Indexed Linked	159.4	167.8	-0.1	–
Foreign Bond/Currency	225.8	237.7	+0.1	–
Cash	173.87	183.025	+0.060	–
Ethical	123.2	129.7	+0.2	–
Pens Mixed	680.0	726.3	-1.6	–
Pens UK Equity	788.8	830.3	-0.6	–
Pens International	744.5	783.7	-0.6	–
Pens American	240.2	252.9	-0.4	–
Pens European	263.0	276.8	-2.3	–
Pens Japan	311.9	328.3	+3.6	–
Pens Pacific	383.8	403.8	-0.5	–
Pens Fixed Interest	370.8	390.1	+1.6	–
Pens Index Linked	197.6	208.0	-0.2	–
Pens Cash	277.166	291.754	+0.110	–
Pens Property	213.88	225.14	—	–
Pens Ethical	150.6	158.2	-0.4	–
Edinburgh Inv	370.0	389.5	–	0
Baillie Gifford Japan	255.4	268.8	-2.7	–

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	179.9	189.5	+0.1	–
UK Equity	336.2	354.0	-1.8	–
American	240.1	252.9	+0.5	–
Pacific	331.3	348.8	+0.9	–
European	426.4	448.9	-4.0	–
International	290.5	305.8	-0.8	–
Fixed Interest	242.5	255.4	+0.3	–
Index Linked	195.2	205.6	+0.1	–
Deposit	186.2	196.1	–	–

[illegible]

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

[illegible]

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Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

Standard Bank Fund Mngmt (Jersey) Ltd

TSB Trust Funds (CI)

Barclays Inv Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Commercial Union Luxembourg SA (u)

Latin American Securities Ltd (x)

Liberty ALL-STAR World Ptflo-Eqty Fd(x)

Lloyds Bank Luxembourg

Midland Internatnl Circuit Fund SICAV(x)

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

JERSEY (REGULATED)(**)

Barclays Intl Funds

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen gains further ground

THE yen continued to gain ground against the dollar in Monday's Asian and European trading, despite the US Federal Reserve's intervention in support of its currency last week, *writes James Blitz.*

Last Friday, the yen was already clawing back some of the lost ground against the dollar, closing in London at Y104.9. When Tokyo opened on Monday, the Japanese currency moved even higher, despite comments from officials that an economic expansion plan would be launched in September and that Mr Morihiro Hosokawa, the prime minister, would visit the US in late September.

Dealers said that the upward pressure on the yen continued to come from exporters who sold dollars at comparatively high levels in the belief that they might get less yen for them if they waited.

However, once the yen reached the Y103.30 level, the Bank of Japan intervened to support the currency and fears that the US would echo the move stopped the weakening in the dollar/yen rate. There was no intervention when US markets opened, and the currency closed at Y103.25. It is still uncertain whether the dollar will breach the Y100 level as so many dealers anticipated at the start of last week.

In Europe, the main focus was on cuts in French and Danish interest rates, in the latter case the first since the exchange rate mechanism's bands were widened.

The 50 basis points cut in the French overnight rate, to 7.75 per cent, did not lead to a heavy depreciation of the franc, which closed at FFr3.485 from FFr3.478. The Danish cut had little effect on the Danish krone which closed at DKr4.1043 to the D-Mark.

In both cases, the currencies held steady because of a strong belief in the market that the Bundesbank will ease its discount rate at its first meeting after the summer recess on Thursday. The market is far less certain that there will be a cut in the Bundesbank's repo rate, however. Today's inflation figure for the state of Baden-Württemberg will be an early indication of how much room for manoeuvre the central bank has.

Miss Wendy Niffikeer, international economist at IBJ International, believes that a discount rate cut has been well priced in by the market. If the German central bank eases its rate floor by ½ a percentage point on Thursday it is unlikely to lead to a fall in the D-Mark's value.

The weaker currencies in Europe were less well underpinned yesterday because of speculation that their countries might try to cut interest rates in advance of the Bundesbank meeting.

The peseta dropped in value yesterday morning, bottoming out at Pta81.05 to the D-Mark from a previous Pta80.68. It later closed at Pta80.92. The escudo also eased yesterday to Es101.95 to the D-Mark from a previous Es101.40. 6. Sterling was largely unaffected, closing unchanged at DM2.5375.

£ IN NEW YORK

Aug 23	Latest	Previous Close
£ Spot	1.5030-1.5040	1.5145 1.5155
1 month	0.38-0.37pm	0.38 0.35pm
3 months	1.01-0.99pm	1.02 1.00pm
12 months	2.90-2.80pm	2.90 2.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug 23	Previous
8.30 am	81.6	81.4
9.00 am	81.6	81.4
10.00 am	81.5	81.5
11.00 am	81.6	81.4
Noon	81.6	81.4
1.00 pm	81.7	81.4
2.00 pm	81.6	81.4
3.00 pm	81.5	81.5
4.00 pm	81.4	81.5

CURRENCY RATES

Aug 23	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.931601	0.757365
US Dollar	3.00	1.40150	1.14741
Canadian $	4.67	1.84928	1.51687
Austrian Sch	6.25	16.6606	13.5486
Belgian Franc	6.00	49.6551	40.5781
Danish Krone	9.25	9.63891	7.89875
D-Mark	6.75	2.38659	1.92535
Dutch Guilder	5.75	2.69837	2.16550
French Franc	10	8.22050	6.71004
Italian Lira	9.00	2231.44	1824.09
Japanese Yen	2.50	146.607	110.722
Norway Krone	-	10.2415	8.34739
Spanish Peseta	-	190.936	156.151
Swedish Krona	11.50	N/A	9.21277
Swiss Franc	4.50	2.08277	1.69165
Greek Drach	19	N/A	270.628
Irish Punt	-	N/A	0.814631

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Aug 20

CURRENCY MOVEMENTS

Aug 23	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	81.4	-28.20
U.S Dollar	65.5	-12.10
Canadian Dollar	91.0	-10.50
Austrian Schilling	114.0	+16.00
Belgian Franc	112.4	-0.50
Danish Krone	118.0	+5.60
D-Mark	123.8	+31.50
Swiss Franc	113.5	+22.80
Dutch Guilder	118.7	+20.90
French Franc	105.5	-9.40
Lira	79.8	-34.70
Yen	188.6	+127.10
Peseta	86.1	-33.70

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Aug 20

OTHER CURRENCIES

Aug 23	£	$
Argentina	1.5115 - 1.5125	1.0000 - 1.0010
Australia	2.2565 - 2.2605	1.4955 - 1.4965
Brazil	131.970 - 131.980	87.3100 - 87.3130
Finland	8.7330 - 8.7620	5.7775 - 5.7975
Greece	352.400 - 359.460	233.160 - 237.820
Hong Kong	11.7135 - 11.7255	7.7485 - 7.7495
Iran	2305.00 - 2315.00	1582.00 - 1584.00
Korea(Sth)	1219.90 - 1238.60	807.70 - 814.100
Kuwait	0.45418 - 0.45500	0.30050 - 0.30100
Luxembourg	53.45 - 53.55	35.55 - 35.65
Malaysia	3.8530 - 3.8600	2.5500 - 2.5510
Mexico	4.6995 - 4.7025	3.1080 - 3.1110
N.Zealand	2.7410 - 2.7440	1.6135 - 1.8155
Saudi Ar	5.6625 - 5.6735	3.7495 - 3.7505
Singapore	2.4280 - 2.4340	1.6080 - 1.6090
S.Af (Cm)	5.0770 - 5.0880	3.3635 - 3.3650
S.Af (Fn)	7.0435 - 7.0585	4.6600 - 4.6700
Taiwan	40.65 - 40.80	26.90 - 27.00
U.A.E.	5.5415 - 5.5585	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.16550	-1.42	7.74	-
D-Mark	1.94964	1.92535	-1.25	7.55	-
Irish Punt	0.808628	0.814631	0.74	5.43	-6
Belgian Franc	40.2123	40.5781	0.91	5.25	-7
Spanish Peseta	154.250	156.151	1.23	4.92	-9
Portuguese Escudo	192.854	196.379	1.83	4.31	-12
French Franc	6.53883	6.71004	2.62	3.50	-22
Danish Krone	7.43679	7.89875	6.21	0.00	-43

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. ‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5015 - 1.5175	1.5020 - 1.5030	0.38-0.36cpm	2.96	1.02 -0.99pm	2.68
Canada	1.9840 - 2.0060	1.9850 - 1.9860	0.29-0.17cpm	1.39	0.64-0.51pm	1.16
Netherlands	2.8450 - 2.8650	2.8475 - 2.8575	¼-¾cdis	-1.05	¼-¾dis	-0.61
Belgium	53.40 - 53.60	53.45 - 53.55	14-21cdis	-3.93	34-43dis	-2.88
Denmark	10.3450 - 10.4550	10.3950 - 10.4050	4½-5½oredis	-5.77	11¾-13½dis	-4.88
Ireland	1.0725 - 1.0760	1.0725 - 1.0735	0.04-0.08cdis	-0.67	0.14-0.22dis	-0.67
Germany	2.5350 - 2.5450	2.5360 - 2.5400	¼-¼pfdis	-0.89	¼-¾dis	-0.79
Portugal	257.50 - 259.75	257.75 - 258.75	115-130cdis	-5.69	325-381dis	-5.31
Spain	205.00 - 206.75	205.15 - 205.45	83-101cdis	-5.38	243-271dis	-5.01
Italy	2397.50 - 2412.50	2401.25 - 2402.25	6-10liredis	-4.50	27-24dis	-3.75
Norway	10.9600 - 11.0575	10.9675 - 10.9775	¼-¾oredis	-0.55	½-¾dis	-0.23
France	8.8350 - 8.8775	8.8375 - 8.8475	1¼-1¾cdis	-1.95	3-3¼dis	-1.53
Sweden	12.0400 - 12.1875	12.1400 - 12.1500	1½-2¾oredis	-2.18	4½-5¾dis	-1.56
Japan	154.25 - 157.00	154.75 - 155.75	½-¼ypm	3.38	1¼-1¼pm	3.06
Austria	17.84 - 17.96	17.84 - 17.87	½-1¾grodis	-0.71	1¼-4½dis	-0.70
Switzerland	2.2250 - 2.2375	2.2275 - 2.2375	¼-¼cpm	1.61	1¼-1pm	1.90
Ecu	1.3235 - 1.3318	1.3240 - 1.3250	0.24-0.29cdis	-2.40	0.53-0.59dis	-1.69

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.73-1.68pm . 12 Month 2.90-2.80pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5015 - 1.5175	1.5020 - 1.5030	0.38-0.36cpm	2.96	1.02 -0.99pm	2.68
Ireland†	1.3990 - 1.4085	1.4000 - 1.4018	0.45-0.40cpm	3.64	1.28 -1.22pm	3.57
Canada	1.3175 - 1.3230	1.3200 - 1.3218	0.16-0.19cdis	-1.59	0.47-0.55dis	-1.54
Netherlands	1.8845 - 1.9000	1.8965 - 1.8985	0.60-0.63cdis	-3.89	1.52-1.58dis	-3.26
Belgium	35.30 - 35.65	35.55 - 35.65	20-23cdis	-7.25	47-53dis	-5.62
Denmark	6.8350 - 6.9300	6.9200 - 6.9250	4.50-6.00oredis	-9.18	12.50-14.50dis	-7.80
Germany	1.6750 - 1.6900	1.6880 - 1.6890	0.56-0.57pfdis	-4.02	1.45-1.47dis	-3.46
Portugal	170.00 - 172.25	171.35 - 172.05	121-126cdis	-8.69	333-350dis	-7.98
Spain	135.65 - 136.80	136.60 - 136.70	95-100cdis	-8.56	253-263dis	-7.55
Italy	1584.25 - 1600.00	1598.25 - 1598.75	9.80-10.10liredis	-7.39	25.50-26.50dis	-6.51
Norway	7.2625 - 7.3075	7.3000 - 7.3050	1.70-2.25oredis	-3.25	4.75-5.55dis	-2.82
France	5.8200 - 5.8875	5.8825 - 5.8875	2.30-2.45cdis	-4.84	6.10-6.35dis	-4.23
Sweden	7.9425 - 8.0875	8.0500 - 8.0850	3.20-3.80oredis	-6.20	8.00-8.00dis	-4.21
Japan	103.05 - 103.75	103.20 - 103.30	0.02pm-0.01ypm	0.17	0.10-0.08pm	0.35
Austria	11.8000 - 11.8560	11.8500 - 11.8550	3.40-3.80grodis	-3.64	9.20-10.50dis	-3.32
Switzerland	1.4700 - 1.4870	1.4860 - 1.4870	0.20-0.23cdis	-1.74	0.54-0.61dis	-1.55
Ecu†	1.1325 - 1.1410	1.1340 - 1.1350	0.52-0.50cpm	5.30	1.25-1.23pm	4.37

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Aug 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	5¼ - 5⅛	5¾ - 5⅝	5⅞ - 5¾	5⅞ - 5¾	5¾ - 5⅝	5⅝ - 5½
US Dollar	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3½
Can. Dollar	4⅝ - 4⅛	4⅝ - 4⅜	4⅝ - 4⅜	4⅞ - 4½	4⅞ - 4⅝	5¼ - 4⅞
Dutch Guilder	6⅞ - 6¾	6⅞ - 6¾	6¾ - 6⅝	6⅝ - 6½	6⅜ - 6¼	5⅞ - 5¾
Swiss Franc	4⅞ - 4⅝	4⅞ - 4⅝	4¾ - 4⅝	4⅝ - 4½	4½ - 4⅜	4⅜ - 4¼
D-Mark	7 - 6⅞	7 - 6⅞	6⅞ - 6¾	6⅝ - 6½	6⅜ - 6¼	5⅞ - 5¾
French Franc	8 - 7¾	7⅞ - 7⅝	7⅞ - 7⅝	7¾ - 7½	6⅞ - 6⅝	6⅛ - 5⅞
Italian Lira	11 - 9	10⅛ - 9⅞	9⅞ - 9⅝	9⅝ - 9⅜	9⅛ - 8⅞	8⅝ - 8⅜
Belgian Franc	10⅞ - 10⅝	10⅞ - 10⅝	9⅝ - 9⅜	8⅞ - 8⅝	7⅞ - 7⅝	6⅞ - 6⅝
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 4⅝-4½ per cent; four years 5⅛-5 per cent; five years 5⅜-5¼ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug 23	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	1.502	2.537	155.2	8.842	2.232	2.852	2402	1.985	53.50	205.3	1.324
$	0.666	1	1.689	103.3	5.887	1.486	1.899	1599	1.322	35.62	136.7	0.881
DM	0.394	0.592	1	61.17	3.485	0.880	1.124	946.8	0.782	21.09	80.92	0.522
YEN	6.443	9.678	16.35	1000.	56.97	14.38	18.38	15477	12.79	344.7	1323	8.531
F Fr.	1.131	1.699	2.869	175.5	10.	2.524	3.226	2717	2.245	60.51	232.2	1.497
S Fr.	0.448	0.673	1.137	69.53	3.961	1	1.278	1076	0.889	23.97	91.98	0.593
N Fl.	0.351	0.527	0.890	54.42	3.100	0.783	1	842.2	0.696	18.76	71.98	0.464
Lira	0.416	0.625	1.056	64.61	3.681	0.929	1.187	1000.	0.826	22.27	85.47	0.551
C $	0.504	0.757	1.278	78.19	4.454	1.124	1.437	1210	1	26.95	103.4	0.667
B Fr.	1.869	2.807	4.742	290.1	16.53	4.172	5.331	4490	3.710	100.	383.7	2.475
Pta	0.487	0.732	1.236	75.60	4.307	1.087	1.389	1170	0.967	26.06	100.	0.645
Ecu	0.755	1.134	1.916	117.2	6.678	1.686	2.154	1814	1.499	40.41	155.1	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

MONEY MARKETS

French and Danes cut

BOTH France and Denmark cut their short term interest rates yesterday, giving a small lift to European markets ahead of this week's Bundesbank council meeting, *writes James Blitz.*

The Bank of France's 50 basis point cut in its overnight rate of lending was the fifth successive easing since the August crisis in the exchange rate mechanism, and took the rate to 7.75 per cent.

Denmark cut its 14 day CD rate from 11 per cent to 10.5 per cent, its first easing of policy since the widening of currency bands.

UK clearing bank base lending rate 6 per cent from January 26, 1993

France's move was followed yesterday afternoon by a suspension of lending through the overnight rate window for the remainder of the day.

The market viewed this as a technical move rather than a signal on policy, with one dealer suggesting that the French money market had been amply supplied with funds.

However, another dealer wondered whether this might be a precursor to a reintroduction of the 5-10 day lending window which had been at 7.75 per cent before being raised to 10 per cent in the run-up to the ERM crisis.

In any event, the cut in the overnight rate was well priced in by the futures market, and the September Pibor contract dropped 9 basis points to close at 93.19. The December contract dropped 6 basis points to close at 94.27.

In Germany, Euromark contracts were a little more buoyant in the run up to this week's Bundesbank council meeting. The September contract rose 3 basis points to close at 93.55 and the December contract was up 3 basis points to close at 94.02.

The rise in these contracts was partly due to speculation that the Bundesbank would ease the discount rate on Thursday. However, few dealers believe an easing in the repo rate is likely in its wake. Call money remained at 6.90 per cent yesterday, modestly above the repo rate level.

Short term interest rates in the sterling cash market were fractionally easier, helped by the firm despatch of a large £1.85bn daily shortage and anticipation of policy easing in Germany.

Three month money closed at 5$\frac{27}{32}$ per cent yesterday, a fraction below the 5⅞ per cent at which it had stood unmoved last week. The December short sterling contract was up 2 basis points at 94.59.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 23)	3 months US dollars		6 months US Dollars	
	bid 3⅛	offer 3¼	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds	
Prime rate	6	One month	2.96
Broker loan rate	5	Two month	2.98
Fed.funds	3⅛	Three month	3.04
Fed.funds at intervention	-	Six month	3.18
		One year	3.40
		Two year	3.94

Aug 23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-6.95	6.70-6.85	6.60-6.75	6.45-6.55	6.25-6.40	7.75
Paris	7⅛-7⅞	7⅞-7¾	-	[illegible]	-	6.75
Zurich	4⅞-5⅛	4⅝-4⅞	-	[illegible]	-	-
Amsterdam	6.96-6.62	6.52-6.60	-	[illegible]	-	-
Tokyo	2⅞-3	-	-	-	-	-
Milan	9⅝-10¼	9⅞-9¾	-	[illegible]	-	-
Brussels	-	9⅝-9⅞	-	[illegible]	-	-
Dublin	6¼-6⅝	6⅞-6⅞	6½-6⅝	[illegible]	[illegible]	-

LONDON MONEY RATES

Aug 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	5⅞	5$\frac{15}{16}$	5⅞	[illegible]	[illegible]	[illegible]
Interbank Bid	3	5¾	5¾	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	5$\frac{13}{16}$	[illegible]	[illegible]	[illegible]
Local Authority Deps.	5⅞	5⅞	5$\frac{13}{16}$	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	4⅞	5$\frac{11}{16}$	-	[illegible]	[illegible]	[illegible]
Company Deposits	-	-	-	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	5⅞	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	5$\frac{11}{16}$	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	5⅝	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	-	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	2.98	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	-	-	4⅜	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	4¼	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	6⅞	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	6¾	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 5$\frac{11}{32}$ per cent; three months 5 per cent; Bank Bills (sell); one-month 5$\frac{11}{32}$ per cent; three months 5$\frac{11}{32}$ per cent; Treasury Bills; Average tender rate of discount 5.0707 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 30 1993. Agreed rates for period Aug 25, 1993 to Sep 25, , 1993 Schemes II & III: 7.28 p.c. Reference rate for period July 1, 1993 to July 30 , 1993, Scheme IV&V: 6.009 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6½ pc from August 1 , 1993: Bank Deposit Rate for sums at 7 days notice 5⅛ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ p.c.; one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan 27, 1992. Deposits withdrawn for cash 1¼ p.c.

FINANCIAL FUTURES AND OPTIONS

BASE LENDING RATES

Cable & Satellite Broadcasting
5 October, 1993

International Telecommunications
18 October, 1993

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close August 23

MONTREAL

4 pm close August 23

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

**Saturday August 21. Taiwan Weighted Price 4022.35. Korea Comp Ex 754.32
♥ Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen, CBS Gen, CAC40, Euro Top-100, SBF General and DAX - 1,000. JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, August 23, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Bank Yokohama	3.3m	1,110	+10	Komatsu	1.2m	1,240	-30
Ricoh	2.9m	808	-7	Kawasaki Steel	1.2m	368	+3
Nikkatsu	1.6m	19	-1	Matsushita E Ind	1.2m	1,400	
Nippon Steel	1.6m	373	-3	Bank of Tokyo	1.2m	1,840	-70
Daiichi Kangyo Bk	1.4m	2,170	-10	Mitsui Co	1.1m	781	

4 pm close August 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14 5/8	11 1/2	AAR Corp	0.48	3.7	656	117	13 3/8	13 1/8	13 1/8	-1/8
29 3/8	13 3/4	A L Labs A	0.18	1.0	37	155	19	18 3/4	18 7/8	+1/4
65 7/8	54 5/8	AMP Inc	1.60	2.5	22	1807	64 5/8	64 1/8	64 1/8	-5/8
72 3/4	55 1/2	AMR			17	3024	65 1/2	64 1/2	65 1/8	+5/8
3 7/8	1 7/8	ARX			11	849	3	2 7/8	3	+1/8
51 1/2	29 7/8	ASA	2.00	2.5	29	902	45 3/8	44 3/4	44 7/8	
30 3/4	22 5/8	Abbott Lab	0.65	2.6	18	6382	26 1/4	25 5/8	26	
12 7/8	9 1/2	Abitibi Pr	0.50	5.1	4	5	9 3/4	9 3/4	9 3/4	-1/8
15 1/4	6 1/4	Acptncein			40	40	14 3/4	14 1/2	14 5/8	+1/8
36	25 1/2	ACE Ltd	0.40	1.1		1232	u36	35	35	-1
12	10 3/4	ACM Gvt In x	0.96	8.7		366	11 1/8	11	11	
10	9 1/4	ACM GvOpp x	0.80	8.1		51	9 7/8	9 3/4	9 7/8	+1/8
9 7/8	8 3/4	ACM Gvt Sp	0.80	8.6		260	9 1/2	9 1/4	9 1/4	
11 5/8	10 1/2	ACM Gvt Se	0.96	6.8		726	11	10 7/8	10 7/8	
11 5/8	9 5/8	ACM Man	1.05	9.5		148	11 1/2	11 1/4	11 3/8	+1/8
9 3/8	8 5/8	ACM Managd x	0.72	7.8		177	9 1/4	9 1/8	9 1/4	
12 3/8	7 3/4	Acme Cleve	0.44	4.3	13	129	10 5/8	10 1/4	10 1/4	-1/2
9 1/4	6 1/2	Acme Elect			245	41	7 3/4	7 5/8	7 5/8	-1/4
25 3/8	18 5/8	Acordia	0.44	1.8	14	74	25	25	25	
16	10 3/4	Acuson			32	335	11 7/8	11 1/2	11 3/4	
21 3/4	19	Adams Expr	0.46	2.5	0	362	19 1/2	19 1/8	19 1/4	+1/8
66 1/4	45 1/2	Ad Micro	3.00	4.7		82	65	63 1/2	64 1/2	+7/8
32 3/4	17 5/8	Ad Micro P	3.00	9.5	12	4091	31 3/4	30 5/8	31 1/2	+1/2
7 3/4	5 1/2	Advest Grp	0.16	2.3	12	88	7	7	7	
24 3/4	16 1/8	Advo Inc	0.08	0.5	18	158	17 5/8	17 1/8	17 1/8	-1/4
49 5/8	41 1/8	Aegon ADR	2.95	6.2	9	46	48 1/8	47 3/4	48	-1/8
60 1/2	43 3/8	Aetna Lf	2.76	4.8	46	1059	58 5/8	57 3/8	58	-1/2
14 1/2	11 1/2	Afil A	0.26	1.8	30	336	14 1/4	14 1/4	14 1/4	-1/8
33 1/2	26 1/2	Aflac	0.40	1.2	19	1698	u33 7/8	33 1/8	33 3/4	+1/2
22 1/8	16 3/4	Ahmanson	0.88	4.5	22	622	19 1/2	19 3/8	19 1/2	
1 3/4	4	Aileen Inc			7	13	4 5/8	4 3/8	4 5/8	
40 1/2	37 1/2	Air Pr Chm	0.92	2.1	17	1908	43 3/4	43	43 3/4	+3/8

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Continued on next page

4 pm close August 23

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close August 23

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Datascope		15	1108	15¼	15	15	-¼
DauphinDp	0.80	11	121	25	24¼	24¼	-⅛
Deb Shops	0.30	16	44	8⅛	8	8¼	+⅛
Dekalb En	0.32	105	182	16½	15¾	15¾	-⅝
Dekalb Ge x	0.80	19	214	25	23½	24½	+1 06
Delchamps	0.44	11	291	23½	23	23¼	+¼
Dell Comp		8	7607	18½	18½	18¾	-¾
DeltaQStm	0.10	22	115	10½	18	18¼	+¼
Dep Gty	1.00	10	724	32	30¾	31	-½
Devcon	0.20	8	25	8	7	7⅜	+⅜
DH Tech		12	238	14¼	14	14	
Dibrell B	0.72	10	329	25¼	25	25¾	+¾
Dgl Intl		22	922	22½	20¾	22¼	+1
Dig Micro		20	764	13	12½	13	+½
Dig Sound		12	370	1⅞	1⅝	1¼	
Dig Syst		187	51	4¾	03¼	3¾	-⅛
Dionex Cp		16	5	32½	32	32½	
Dixie Yrn	0.20	17	549	13¼	12½	13	-¼
DNA Plant		5	248	5⅞	5	5⅛	-¼
Dollar Gn	0.20	26	715	32	31	31	-⅞
Dom Bkshs	0.44	55	961	u27¼	26⅞	27	
Dorch Htn	0.60	29	84	16	15¼	16	
DrecoEngy		19	243	24	23¼	23¼	
DressBarn		14	672	11⅞	11½	11⅞	+¼
Drey GD	0.24	22	740	27¼	26¼	26½	-¾
Drug Empo	0.08	32	107	8⅛	6⅛	8	-1/16
DS Bancor	1.08	8	8	15¼	14¾	14¾	
Duriron	0.80	27	791	23¼	23¼	23⅝	-⅛
Durr Fill	0.30	24	8	u33⅛	32¾	32¾	

AMEX COMPOSITE PRICES

4 pm close August 23

Prices data supplied by Telekurs

FINANCIAL TIMES
Tuesday August 24 1993

AMERICA

Profit-taking sends Dow into retreat

Wall Street

AFTER four consecutive days of record-breaking gains, US stock markets ran into profit-taking yesterday morning, leaving share prices lower across the board, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 14.81 at 3,600.67. The more broadly based Standard & Poor's 500 was down 1.38 at 454.78, while the Amex composite was 1.11 lower at 447.59, and the Nasdaq composite down 0.91 at 730.05. Trading volume on the NYSE was 122m shares by 1 pm.

Dealers and analysts were not surprised by Monday's early losses. Share prices had ended in positive territory last Friday only because of a late burst of buying tied to the unwinding of stock index options that expired at the close. On the first Monday after options expiration stocks usually fall in early trading as the markets retrace the upward steps taken late on the previous Friday.

Often in such cases early selling peters out quickly, but this was not the case yesterday as investors decided that five days of gains, which had pushed the markets' indices to four new all-time highs, had left equities looking overbought.

Profit-taking, therefore, was the order of the day. Analysts said that the declines were a natural correction, and did not indicate a shift in underlying sentiment.

Among individual stocks, cyclicals were mostly lower. General Electric, which rose sharply last Friday on news of planned layoffs, fell $1 to $97⅞ in busy trading; Caterpillar gave up $⅞ at $80⅛; International Paper slipped $⅝ to $66⅞ and Minnesota Mining & Manufacturing fell $1⅛ to $107¾.

Consumer stocks, which fared well last week, succumbed to profit-taking. Philip Morris dropped $⅞ to $49⅞, Pepsico slipped $¼ to $38⅞, Procter & Gamble gave up $1⅛ at $48, and RJR Nabisco eased $¼ to $5⅛.

Drug and healthcare stocks, another sector that did well last week, also suffered a reaction. United Healthcare fell $2¼ to $58, Pfizer dropped $1⅝ to $62½, Merck slipped $⅜ to $32 and Bristol-Myers Squibb gave up $1 at $55⅞.

Morgan Stanley climbed $¾ to $79, a new 52-week high, after the securities house posted record second quarter earnings of $225m.

Car stocks, which remain in favour with investors following strong quarterly earnings from the big three car manufacturers and buoyant car and truck sales, bucked the trend. Chrysler firmed $¼ to $41¼, Ford added $⅝ at $50⅛, and General Motors climbed $⅝ to $45¼.

On the Nasdaq market, casino stocks were in trouble, with Casino Magic down $1⅞ at $13¾ and Grand Casinos down $1⅞ at $20⅞.

Canada

TORONTO was slightly higher at midday as gold stocks improved in otherwise quiet trading. The TSE-300 composite index was 3.69 higher at 4,080.87 in volume of 15.96m shares valued at C$163m. Advancing stocks edged declines, 249 to 247, with 259 issues unchanged.

A recovery in gold stocks helped the market recoup earlier losses; at midsession, the gold and silver index was up 110.53 at 9,498.03.

SOUTH AFRICA

GOLD shares lost early gains in thin afternoon trade as the bullion price slipped. The golds index finished only 7 up at 1,778 after a day's high of 1,797. The industrial index rose 10 to 4,620 and the overall index added 5 at 4,049.

EUROPE

Paris pre-empts Buba as bourses consolidate

THE consolidation which began towards the end of the week extended, and in some cases deepened yesterday, *writes Our Markets Staff.*

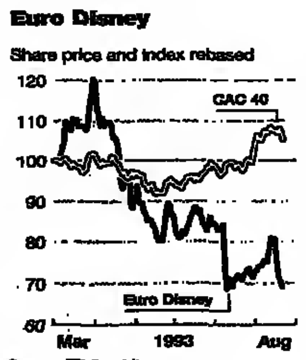
PARIS paid little heed to the decision by the Bank of France to suspend its 24 hour lending facility, having earlier in the day cut the interest rate by another 50 basis points to 7.75 per cent. However, the more important intervention rate remained unchanged at 6.75 per cent and dealers said that the market would probably see cautious trading ahead of Thursday's Bundesbank council meeting. They said that hopes are for Germany to cut rates by up to 0.5 percentage points, enabling the French to cut rates by some 25 basis points.

The CAC-40 index lost 16.83 to 2,111.37 in turnover of some FFr2.4bn.

Euro Disney was off 4 per cent shortly after the opening following negative weekend media comment and confirmation by the group that summer bookings had been weak. Analysts reiterated sell recommendations on the stock and commented that the future of the company was dependent on the refinancing package currently being negotiated. The shares finally closed off 80 centimes at FFr56.00, having seen a day's low of FFr54.50.

Euro Disney

Share price and index rebased



Source: FT Graphite

Alcatel Alsthom saw further profit-taking after last Friday's announcement that it had won a South Korean contract, easing FFr10 to FFr722. Lafarge Coppee lost FFr16.50 to FFr423.50 on a report that the European Commission might be about to impose fines on some European cement companies.

FRANKFURT fell faster with the DAX index 34.41, or 1.8 per cent lower at 1,888.27 after dropping 16.30 on Friday from a three year high of 1,938.98. Turnover was DM5.7bn.

Some observers thought that the consolidation could go a lot further; 1,800 was mentioned. But Mr Patrick Bettscheider, head of equity sales at Bank Julius Bär in Frankfurt, and jointly in charge of the trading desk, said that he saw a further 20-point drop as the worst-case scenario.

Mr Bettscheider thought that yesterday's drop was exaggerated by an overhang from the triple options expiry on the Deutsche Terminbörse last Friday. Before the consolidation the bank had seen "quite encouraging" buying from a number of big institutions, he said; he believes that global investors are still underweight in Germany, and that the DAX will break through its April 1990 all time high of 1,976.43 in the near future.

DB Research, too, said that the consolidation was healthy. Its chief equities analyst, Mr Thomas Neisse, saw the DAX reaching 2,000 this year and predicted a rise to 2,200 in the first or second quarter of 1994.

AMSTERDAM drifted lower in the absence of major corporate news, the CBS Tendency index losing 0.8 to 121.1. Nedlloyd and Wolters Kluwer, which reports half year results today, both went against the trend, with respective rises of Fl 1.10 and 80 cents to Fl 43.10 and Fl 98.30.

Polygram eased Fl 1.40 to Fl 63.00. The stock has attracted positive brokers' comments following its good results recently. Kleinwort Benson's Dutch team have restated their buy recommendation, citing its long-term earnings growth of 20 per cent plus per annum.

MILAN retreated a little from earlier highs further but most brokers said that sentiment remained firm. The Comit index closed 3.00 higher at 618.68.

Italcable featured a 4.3 per cent rise to L10,240 as the issue began to catch up with gains in the telecommunications sector last week. Elsewhere in the sector Sip added L42 to L3,660 and Stet L47 to L4,597.

ZURICH's SMI index eased 6.7 to 2,467.3 in calm dealings. Brown Boveri continued to face selling pressure after last week's satisfactory first-half results, falling SFr22 to SFr896.

STOCKHOLM remained weak with profit-taking being noted in the banking sector, down 3.7 per cent on the day. The Affärsvärlden general index lost 17.9 to 1,291.6 as turnover remained strong at SKr1.5bn.

Handelsbanken A shares shed SKr2 to SKr146 ahead of today's half year results.

OSLO extended last week's falls, the All-share index losing 11.03 or 1.9 per cent to 562.11 in turnover of NKr658m. Uni Storebrand, which reported a first half profit of NKr689m, slightly below expectations, lost NKr0.20 to NKr19.30.

Moving east, bourses offered various reactions to the day's consolidation. **VIENNA** followed Frankfurt, but at a distance with the ATX index down 13.30, or 1.3 per cent at 1,000.66. **ATHENS** continued its downward plunge with a 34.63 drop to 868.53 leaving the general index down 7.9 per cent in a week; and **WARSAW** ignored the trend altogether in price terms as the all-share WIG index leapt 335.5, or 6.4 per cent to record 6,390.6.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

August 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1293.00	1294.86	1295.01	1293.55	1292.46	1290.18	1291.82	1291.83
FT-SE Eurotrack 200	1375.17	1376.87	1376.75	1374.03	1373.81	1374.09	1373.52	1374.00

	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16
FT-SE Eurotrack 100	1297.31	1304.07	1303.09	1284.69	1276.32
FT-SE Eurotrack 200	1380.12	1385.51	1387.63	1368.15	1359.35

Base value 1000 (26/10/90) High/day: 100 - 1295.92; 200 - 1376.93 Low/day: 100 - 1289.74 200 - 1372.23

ASIA PACIFIC

Nikkei average weakens in lowest volume of the year

Tokyo

TRADING volume was the lowest of the year yesterday as investors remained absent on uncertainty regarding both the future course of the strong yen and the government's policy in reviving the economy, *writes Emiko Terazono in Tokyo.*

The Nikkei average slipped 193.12 to 20,414.14, its fifth consecutive decline, having opened at the day's high of 20,595.26 before easing steadily during the session to hit the day's low of 20,384.44 just before the close.

Volume was 139.3m shares, below the previous year's low of 140.7m shares registered on July 5. Declines led advances by 742 to 217, with 194 issues unchanged. The Topix index of all first section stocks shed 15.01 to 1,644.18 and, in London, the ISE/Nikkei 50 index softened 1.52 to 1,254.44.

Foreign investors were small-lot buyers, but some banks were seen taking profits on their long-term portfolios ahead of the September mid-term book closing. Dealers were also seen selling as this is the final week for August delivery.

Investors, hoping that the first policy speech in the afternoon by Mr Morihiro Hosokawa, the prime minister, would present measures to boost the economy, were disappointed. Mr Hosokawa expressed concern but failed to map out specific measures.

Meanwhile, the yen once again strengthened on buying by exporters in spite of active intervention by the Bank of Japan. The dollar yesterday closed Y1.10 down at Y103.35.

Fading prospects of a cut in the official discount rate hurt financial issues. Bank of Yokohama, the day's most active issue, lost Y10 to Y1,110, Bank of Tokyo fell Y70 to Y1,640 and Fuji Bank shed Y60 to Y2,370.

Telecommunication shares were lower: Nippon Telegraph & Telephone dropped Y7,000 to Y936,000 on reports that it might delay the commercialisation of its next-generation communications network. KDD, the international telecom company, fell Y500 to Y11,800 on plans for a rate cut in international calls this October.

Ricoh, which was supported last week on its technology for turning copied paper into blank pages, receded Y7 to Y808 on profit-taking.

In Osaka, the OSE average declined 157.29 to 22,377.34 in volume of 35.8m shares. Nintendo, the video game maker, went against the trend, rising Y310 to Y9,710 on reports that it is developing a new generation of video game hardware.

Roundup

THE WEEK began with a mixture of profit-taking and record highs in New Zealand and Manila. Bombay was closed for a public holiday.

HONG KONG shed 2 per cent as the banking sector continued to fall back following last week's disappointing results from Hang Seng Bank, down HK$2 at HK$55.50. HSBC Holdings, the parent group, also lost HK$2, to HK$81.50.

The Hang Seng index slipped 156.94 to 7,388.4, just above the day's low.

Swire Pacific, which reports this week, declined HK$1.25 to HK$39 on forecasts of poor results.

SINGAPORE retreated from all-time highs at the close as investors took profits. The Straits Times Industrial index gave up a net 7.78 at 1,964.49, having seen an intra-day record high of 1,982.39.

Brokers pointed out that Malaysian shares traded over the counter were sold on news that the country's finance minister would make a challenge for the deputy president's post in November.

In **KUALA LUMPUR** the reports of the challenge also gave investors an incentive to take profits and the composite index eased 0.25 to 805.26 in volume of 365.4m shares.

NEW ZEALAND continued its rally, the NZSE-40 capital index finishing at its highest level since January 1990. Among the actives, Carter Holt Harvey advanced 7 cents to NZ$3.49 and Brierley Investments 3 cents to NZ$1.18. The index gained 8.85 at 2,027.37 in turnover of NZ$60.1m.

Fletcher Challenge met renewed profit-taking, easing 4 cents to NZ$3.66, but the shares still remain 22 per cent up following the good results last week.

AUSTRALIA was moderately firmer as many investors consolidated positions after last week's strong gains.

The All Ordinaries index closed 5.7 higher at 1,932.8 in turnover of A$391.4m.

Strong buy orders from Hong Kong lifted BHP 14 cents to A$15.50. News Corp, which reports tomorrow, added 10 cents at A$9.30.

MANILA rose to record levels again, led by Philippine Long Distance Telephone, which climbed 25 pesos to 1,190 pesos. The composite index put on 20.29 at 1,783.30 in turnover of 429m pesos.

SEOUL was easier as profit-taking was seen among large-capitalisation issues. The composite index finished 7.33 down at 727.06 in turnover of Won309.9bn.

Decline in Japan slows World Index

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1993	% change sterling † Start of 1993	% change in US $ † Start of 1993
Austria	+0.41	+5.43	+30.56	+26.11	+21.03	+20.78
Belgium	-0.56	+2.16	+24.04	+21.07	+14.10	+13.87
Denmark	+3.47	+11.10	+23.07	+33.06	+22.29	+22.04
Finland	+1.89	+19.90	+114.95	+84.22	+87.17	+86.70
France	-0.74	+6.97	+24.36	+17.62	+11.46	+11.22
Germany	+0.81	+4.95	+25.45	+24.09	+19.86	+19.62
Ireland	+1.13	+8.48	+40.47	+45.79	+26.59	+26.34
Italy	+4.80	+12.02	+73.11	+51.52	+40.87	+40.59
Netherlands	+1.14	+6.10	+26.87	+23.25	+18.91	+18.66
Norway	-2.93	+10.34	+52.80	+33.21	+26.96	+26.71
Spain	+3.70	+12.32	+43.21	+36.71	+15.73	+15.50
Sweden	+0.11	+10.86	+60.25	+29.62	+15.40	+15.17
Switzerland	+0.31	+4.83	+39.70	+20.40	+19.62	+19.36
UK	+1.43	+8.28	+33.43	+9.45	+9.45	+9.23
EUROPE	+1.10	+7.66	+33.73	+16.77	+15.00	+14.78
Australia	+3.20	+5.48	+18.63	+19.27	+17.67	+17.44
Hong Kong	+1.81	+9.82	+31.92	+34.74	+34.86	+34.59
Japan	-1.39	+3.11	+41.18	+25.70	+49.96	+49.67
Malaysia	+4.09	+8.26	+70.09	+40.63	+44.33	+44.04
New Zealand	-0.69	+18.97	+41.52	+35.45	+46.29	+46.00
Singapore	+4.11	+10.23	+54.36	+29.55	+32.02	+31.78
Canada	+1.40	+6.32	+10.57	+13.66	+9.53	+9.31
USA	+1.38	+2.00	+9.51	+4.79	+5.00	+4.79
Mexico	+5.43	+12.35	+28.61	+3.43	+3.94	+3.73
South Africa	+1.70	+0.67	+29.53	+26.59	+34.53	+34.25
WORLD INDEX	+0.60	+3.89	+34.29	+15.00	+20.17	+19.94

† Based on August 20th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

By William Cochrane

AT one point last week, five Pacific Rim equity markets, three senior bourses in Europe, Wall Street in the US and Toronto in Canada were all hitting 1993 highs; yet the FT-Actuaries World Index ended the week with a rise of just 0.5 per cent.

Some high-profile investment destinations, such as Germany, France, the UK and Hong Kong, saw profit-taking last Friday; but Japan was the real drag on the World Index with a fall of 1.4 per cent in local currency terms.

Nomura's global strategy team in London, headed by Mr Nicholas Knight, put out a sell recommendation on Japanese equities last week, noting that the market at that point was still 46 per cent higher than it was a year earlier.

Given that, say the team, the key priority now may be the wish to avoid a repetition of the "bubble" economy of the mid to late 1980s; the authorities may seek to restrict the economy to the exclusion of the stock market, and a "wall of money" might come out of Japan to cap the rising yen.

Opinions are divided on whether Japanese money has been feeding gains elsewhere on the Pacific Rim. Mr David Bates at Asia Equity says his clients have been thinking positively after a bullish National Day in Singapore, Malaysia expected to produce a repeat performance at the end of this month, and Hong Kong moving from exuberance to caution – the latter over China worries and the Hang Seng Bank results – at the end of last week.

However, Ms Pauline McAtamney at Ord Minett thinks that New Zealand, certainly, must have seen some new source of funds as turnover boomed last week, and its World Index constituent index climbed by a heady 9.7 per cent. Fletcher Challenge lit the touch paper with results better than market expectations, indicating that forestry returns had touched bottom, and with its plans for a separate vehicle for its forestry assets.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY AUGUST 20 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY AUGUST 19 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	146.94	+0.5	144.17	97.39	128.24	144.32	+0.1	3.48	146.26	144.03	96.29	128.24	144.12	146.94	117.39	132.10
Austria (17)	169.29	+0.4	166.11	112.20	147.86	148.04	+0.1	1.31	168.54	165.98	110.96	147.78	147.88	169.29	131.16	151.51
Belgium (42)	151.71	-0.5	148.86	100.54	132.51	132.26	-0.5	4.33	152.51	150.18	100.39	133.72	132.95	156.78	131.19	146.67
Canada (106)	126.41	+0.2	124.03	83.77	110.40	121.01	+0.5	3.79	126.11	124.19	83.02	110.56	120.44	130.36	111.41	126.22
Denmark (33)	227.15	+0.1	222.88	150.55	198.40	211.39	-0.5	1.07	226.90	223.45	149.38	198.95	212.55	227.15	185.11	226.99
Finland (23)	116.14	-2.0	113.96	76.96	101.44	140.76	-2.0	0.86	118.56	116.75	78.09	103.95	143.69	118.56	65.50	63.01
France (97)	163.70	+0.4	160.63	108.49	142.97	150.03	-0.5	3.06	163.06	160.58	107.34	142.96	150.84	167.36	142.72	159.00
Germany (60)	124.45	-0.3	122.11	82.49	108.70	108.70	-0.7	1.95	124.86	122.96	82.21	109.47	109.47	124.94	101.59	115.19
Hong Kong (55)	298.20	-0.8	292.59	197.63	260.46	296.72	-0.8	3.23	300.14	295.57	197.59	263.17	298.50	301.81	215.82	228.05
Ireland (15)	171.55	-0.1	168.32	113.70	149.83	171.68	-0.6	3.24	171.67	169.06	113.02	150.52	172.84	171.67	129.23	158.63
Italy (70)	77.14	+1.2	75.69	51.13	67.38	91.49	+0.7	1.78	76.24	75.08	50.18	66.84	90.82	77.14	53.78	64.87
Japan (470)	157.20	-1.0	154.25	104.19	137.32	104.19	-1.0	0.80	158.85	156.43	104.56	139.30	104.56	166.91	100.75	99.86
Malaysia (69)	376.82	+0.4	369.53	249.60	328.94	370.36	+0.8	1.84	375.14	369.43	246.68	328.91	368.13	376.82	251.66	228.20
Mexico (19)	1709.40	+0.3	1677.26	1132.95	1493.04	5814.37	+0.4	0.85	1703.44	1677.52	1121.46	1493.59	5791.30	1725.61	1410.30	1311.88
Netherland (24)	179.68	+0.1	176.30	119.09	156.94	154.91	-0.3	3.49	179.47	176.74	118.15	157.36	155.39	179.68	150.29	165.06
New Zealand (13)	62.62	-0.6	61.44	41.50	54.70	60.02	-0.4	3.72	62.98	62.03	41.47	55.23	60.25	62.98	40.56	42.92
Norway (22)	174.49	-0.3	171.21	115.65	152.41	172.24	-0.1	1.53	173.89	171.24	114.48	152.47	172.42	177.31	137.71	145.17
Singapore (38)	281.13	+1.0	275.84	186.32	245.54	208.97	+2.3	0.65	278.26	272.08	181.89	242.24	204.35	281.13	207.04	185.98
South Africa (60)	198.83	-0.8	195.09	131.78	173.66	202.08	-1.0	2.54	200.53	197.48	132.02	175.82	204.03	215.29	144.72	193.92
Spain (43)	134.68	+1.2	132.15	89.26	117.63	138.35	+0.0	4.12	133.11	131.09	87.64	116.71	138.30	134.88	115.23	138.41
Sweden (36)	190.67	-1.1	187.09	126.37	166.54	224.69	-1.2	1.50	192.89	189.95	126.99	169.13	227.44	195.23	148.70	179.11
Switzerland (50)	134.81	+0.2	132.37	89.42	117.85	123.61	-0.3	1.76	134.67	132.62	88.66	118.09	123.96	134.91	106.91	112.80
United Kingdom (218)	188.27	+0.1	184.73	124.77	164.42	184.73	-0.2	3.76	188.00	185.14	123.78	164.82	185.14	189.35	162.00	182.21
USA (520)	186.63	+0.0	183.12	123.70	163.01	186.63	+0.0	2.74	186.68	183.84	122.91	163.69	186.68	186.68	175.38	168.01
Europe (750)	158.11	+0.1	155.17	103.46	138.35	148.28	-0.3	3.02	155.91	153.54	102.64	136.71	146.76	158.45	133.92	146.73
Nordic (114)	160.68	-0.9	157.46	106.89	140.95	167.64	-1.1	1.32	162.50	160.72	107.45	143.16	170.65	162.50	122.13	165.11
Pacific Basin (714)	161.37	-0.8	158.33	106.95	140.95	111.47	-0.3	1.06	162.84	160.36	107.21	142.78	111.83	168.80	106.89	105.01
Euro-Pacific (1484)	159.09	-0.5	156.10	105.44	138.95	126.37	-0.3	1.65	159.88	157.45	105.25	140.18	126.79	162.12	117.26	121.88
North America (626)	182.88	+0.0	179.44	121.22	159.78	182.16	+0.0	2.74	182.92	180.13	120.44	160.41	182.17	182.92	171.51	166.33
Europe Ex. UK (532)	135.92	+0.1	133.37	90.10	118.74	127.03	-0.4	2.50	135.77	133.70	89.40	119.07	127.57	135.92	112.51	125.23
Pacific Ex. Japan (244)	202.66	+0.1	198.85	134.34	177.02	187.11	+0.4	2.97	202.50	199.42	133.33	177.57	186.95	202.66	152.70	155.86
World Ex. US (1651)	159.38	-0.5	156.38	105.63	139.16	128.48	-0.3	1.87	160.11	157.67	105.42	140.39	128.86	162.76	118.51	123.52
World Ex. UK (1953)	165.43	-0.4	162.32	109.65	144.50	142.75	-0.2	2.02	166.02	163.49	109.30	145.58	143.04	167.77	134.21	133.73
World Ex. So. Af. (2111)	167.45	-0.3	164.20	110.92	146.18	146.04	-0.2	2.18	167.65	165.30	110.51	147.16	146.24	168.60	137.29	137.60
World Ex. Japan (1701)	174.90	+0.0	171.62	115.93	152.79	170.45	-0.1	2.83	174.85	172.18	115.12	153.33	170.67	174.90	157.47	159.27
The World Index (2171)	167.44	-0.3	164.28	110.98	146.26	146.53	-0.2	2.20	167.96	165.40	110.58	147.28	146.83	169.68	137.32	137.92

Latest prices were unavailable for this edition. Name change: Charter Cons. to Charter (UK).